

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

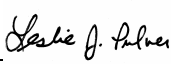
YES
NO

Check each applicable box below. (See instructions for further detail.)

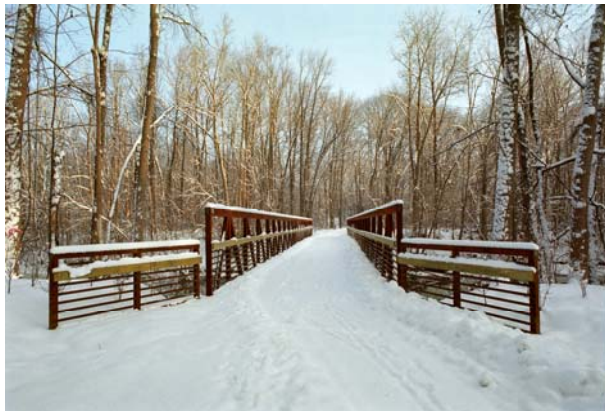
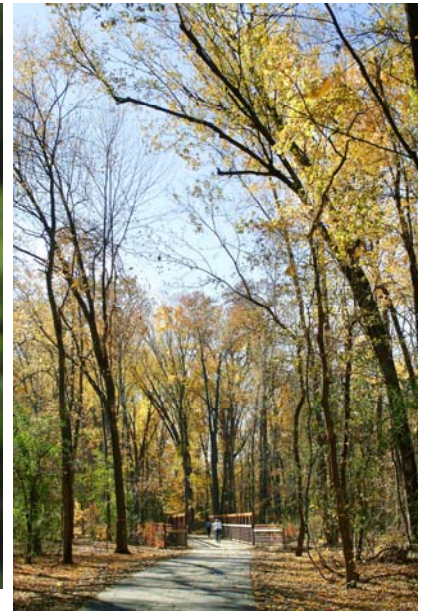
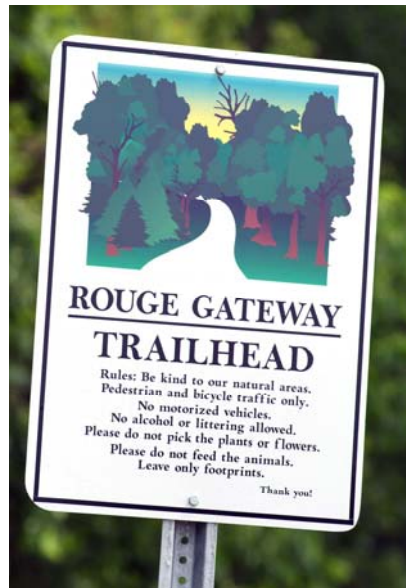
1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

City of Dearborn, Michigan Comprehensive Annual Finance Report For the Year Ending June 30, 2007



Photographs of
Rouge Gateway Trailhead

CITY OF DEARBORN, MICHIGAN

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2007

MAYOR

John B. O'Reilly, Jr.

CITY COUNCIL

Council President

Thomas P. Tafelski

Council President Pro-Tem

Nancy A. Hubbard

Council Members

Douglas B. Thomas

Suzanne Sareini

Mark Shooshanian

Robert A. Abraham

George T. Darany

James J. O'Connor
Finance Director/Treasurer

Sharon J. Schwab
Assistant Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Dearborn
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

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CITY OF DEARBORN

Home Town of Henry Ford

DEPARTMENT OF FINANCE ACCOUNTING DIVISION

JAMES J. O'CONNOR
Finance Director/Treasurer

JOHN B. O'REILLY, JR.
MAYOR

SHARON J. SCHWAB
Asst. Finance Director

October 1, 2007

Honorable Mayor, John B. O'Reilly, Jr.,
Members of the City Council, and
Citizens of the City of Dearborn:

The Comprehensive Annual Financial Report (CAFR) of the City of Dearborn, for the fiscal year ended June 30, 2007, is submitted with this letter. The City's Finance Department prepared this report pursuant to requirements of both the City Charter and Michigan law.

This letter is designed to complement the Management Discussion & Analysis (MD&A) as required by Generally Accepted Accounting Principles and GASB 34 and should be read in conjunction with it. The MD&A can be found on pages 3-17 of the CAFR.

MANAGEMENT REPRESENTATIONS

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City.

We believe that the financial information, as presented:

- ♦ is accurate in all material aspects;
- ♦ is presented in a manner designed to set forth fairly the financial position and results of operations of the City as measured by the financial activity of its various funds;
- ♦ includes all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs

ACCOUNTING SYSTEM INTERNAL CONTROL STRUCTURE

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding:

- ♦ the safeguarding of assets against loss from unauthorized use or disposition;
- ♦ the reliability of financial records for preparing financial statements and maintaining accountability for assets

The concept of reasonable assurance recognizes that:

- ♦ the cost of a control should not exceed the benefits likely to be derived;
- ♦ the evaluation of costs and benefits requires estimates and judgments by management

All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

INDEPENDENT AUDIT

State of Michigan statutes and City Charter require that an independent audit be made of the City's financial statements. In addition, the City is required to undergo an annual single audit of its federal financial assistance in conformity with the provisions of the Single Audit Act of 1984 and the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Plante & Moran, PLLC whose reports are included, has performed the audit for fiscal year 2007.

FORM OF GOVERNMENT/CITY PROFILE

The City of Dearborn is located in southeast Michigan and borders the City of Detroit to the east. The 2000 census reported a population of 97,775, and current estimates indicate the population now exceeds 100,000. While many other older communities are losing population, Dearborn continues to grow. The superior public services and facilities, a well-established employment base, proximity to Detroit and other affluent suburbs, Detroit Metropolitan Airport, and transportation systems, make Dearborn a desirable community in southeast Michigan for families and businesses.

The present City of Dearborn was incorporated in 1929 consolidating the former cities of Fordson and Dearborn. The City operates under a strong mayor, weak council form of government. Its most recent charter was adopted November 3, 1979 and was effective July 1, 1980. In November 2005 nine Charter Commissioners were elected to review and update the City's Charter. The Charter Commission's recommendations are scheduled to appear on the November 2007 ballot for the electorate to vote on. The City is incorporated under Michigan law as a home rule city.

Elected officials are composed of the Mayor, City Clerk and seven Councilpersons who are elected at large. All terms of office are four years. Department Directors and the Chief of Staff are appointed by and serve at the pleasure of the Mayor with the exception of the Human Resource (Civil Service) Director, City Planner, City Librarian and Curator of the Historical Museum who are appointed by their respective commissions. Corporation Counsel is appointed by the Mayor, subject to confirmation by the City Council. The Mayor is responsible for administration of all departments and functions of the City government not under the jurisdiction of any other elected official or the Civil Service Commission. The City Clerk has duties related to keeping the public records. City Council is headed by a Council President who is the member receiving the highest number of votes in the last general election. The Council is responsible for all legislative matters including adoption of the City budget.

Mayor O'Reilly and the Council of the City of Dearborn are responsive to the community. Challenges are identified, openly communicated and action is planned and taken. In February 2007, Mayor O'Reilly was elected to succeed Mayor Michael Guido who had passed away during a term. Mayor O'Reilly served as Council President and was on the City Council for 17 years. His father was the Mayor prior to Mayor Guido. Mayor O'Reilly is very knowledgeable about the internal operations and the community in general. He was clearly the natural and best choice for the position and received 94% of the votes. The citizens showed a clear preference for continuity in leadership that enables Dearborn to build and maintain a level of public services second to none.

GENERAL GOVERNMENT

The City of Dearborn is a full-service government. The Mayor, the Clerk and City Council have department designations. Public Safety departments include Police, Fire and Rescue and Building & Safety. The Department of Public Works manages the sanitation division, infrastructure projects and general cleaning and maintenance of City property. Culture and Recreation encompasses a main library and three branch libraries, a Historical Museum and a robust Recreation Department including neighborhood parks, a major park, a dual ice surface arena and the Ford Community & Performing Arts Center. The City also operates a part-time Health department. The City has separate Planning, Economic & Community Development and Housing departments. Legal, Finance, Human Resources, Assessment and Public Information function as support-type departments. The City of Dearborn is a medium sized community, but in many respects operates like a large community due to the presence of Ford Motor Company and the corresponding business environment.

PROPRIETARY TYPE OPERATIONS

The City operates the water and sewer utilities. The City relies on and compensates the City of Detroit for providing clean water and for treating sewage. The Recreation Department operates an 18-hole golf course and the Housing Department manages five retirement buildings within the City and one building in Clearwater, Florida. The sale of Clearwater property will be a ballot question for the November 2007 election. The Parking System Funds account for the construction, maintenance and operation of City-owned parking decks and lots. A group of internal service funds operate to support the primary government.

FIDUCIARY FUND TYPE OPERATIONS

The City operates three pension trust funds, including two for police and fire personnel (one open, one closed) and third (closed) for substantially all other full-time personnel. Effective July 1, 2005, the open revised police and fire pension trust fund was closed to newly hired police officers. All full-time personnel not covered by one of these pension plans are covered under the defined contribution plan.

COMPONENT UNITS

The City currently has four components included in this section of the report. The East and West Dearborn Downtown Development Authorities (EDDDA and WDDDA) account for monies from tax increment financing districts under each authority's jurisdiction. These resources are being accumulated to fund future redevelopment of both the East and West Dearborn Business Districts. The Economic Development Corporation of Dearborn was created to encourage economic development primarily through the issuance of tax-exempt financing. The Brownfield Redevelopment Authority is a component unit established for the redevelopment of environmentally contaminated property. The State of Michigan provides grants and loans in support of approved projects.

BUDGET CONTROLS

The City's budget is prepared in compliance with uniform budgeting provisions of Michigan law for all governmental fund types and in conformity with generally accepted accounting principles (modified accrual basis of accounting). The proposed annual budget is delivered to City Council no later than April 15th and must be adopted no later than June 13th. Budgets are adopted for all

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governmental and proprietary funds. Appropriations are controlled at the department level (General Fund), project level (Capital Improvement Fund), or fund level (all other funds), as appropriate. Encumbrances, which are reservations of fund balance and not expenditures, are used as an extension of formal budgetary control. Appropriations lapse at fiscal year-end except for the portion related to encumbered amounts and those amounts approved for carry-forward by the City Council.

ECONOMIC CONDITION AND OUTLOOK

In spite of the sluggish economy in Michigan, Dearborn continues to grow. Population is increasing, schools are reporting an increase in enrollment and development can be found throughout the city.

The automotive industry has a major effect on the economy of the State of Michigan. Due to the downturn in sales and slow growth, the State of Michigan has experienced a decline in its revenues, resulting in the Governor and Legislature reducing state shared revenue distributions to local governments, including the City of Dearborn. The City continues to look for ways to recover from the lost revenue while also maintaining the high level of services Dearborn is known for.

The City of Dearborn is home to the world headquarters of Ford Motor Company as well as its large research and development facility and the Rouge Complex manufacturing plant. Ford Motor Company has been strategically restructuring and shows signs of recovering from a downturn in sales and is positioning to be competitive once again in the automotive market. The auto manufacturer has closed several plants in North America and cut its workforce considerably, but so far, none of the Dearborn plants have been closed. It appears that much of the Ford and Ford related businesses are consolidating in the Dearborn area. For example, 600 advertising agency employees were relocated to Dearborn's Corporate Crossings. We anticipate that Ford will continue to centralize operations as part of the Way Forward Plan to gain synergy and cut costs.

In 2004, Severstal North America, Inc. made a \$250 million investment in Dearborn when it purchased the assets of Rouge Steel from bankruptcy. Severstal continues to invest in rebuilding and upgrading its steel producing facilities with over \$500 million dollars of investment in various stages of planning and construction. A blast furnace upgrade in progress will provide major benefits to Dearborn's economy including the preservation of jobs and increased tax base.

Probably the biggest challenge the City is facing right now is determining how to overcome the negative financial pressures. The City is experiencing revenues that are fairly flat and costs that are escalating for pensions and retiree health care, health care insurance, gasoline and heating fuel. All of these costs have increased significantly over the last few years. The City has reduced 133 full-time positions in the last seven years without impacting services, but the structural deficit still exists. The bottom line for Dearborn is that reductions must continue or taxes must go up, or a combination of the two. Dearborn is fortunate to have a superior program and service mix and the quality, quantity and levels of these programs and services are high. If there are reductions, Dearborn will still remain safe and clean, and will continue to be a great place to live, work, play and raise a family. As part of the Charter recommendations, the Charter Commission has proposed to reinstate the 15 mill tax millage rate set by voters in 1981 that has been rolled back by the Headlee Amendment formula to 13.6275 mills. This will be included in the November 2007 ballot question for the Charter.

CASH MANAGEMENT

The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its investment portfolio. Cash temporarily idle during the year was invested in certificates of deposit, U. S. government securities and top rated commercial paper. Cash is internally pooled for investment purposes using two separate pools distinguished by the investment needs of participating funds. One pool is strictly for short-term operating cash, while the other pool is composed of money that can be safely invested for periods of one to seven years. Funds in the latter pool consist mainly of self-insurance reserves and some monies designated for future financial needs. Earnings are allocated based on time and dollar weighted participation in each pool. A formal investment policy was adopted by the City Council in November 1998.

RISK MANAGEMENT

The City employs a full-time attorney to serve as a risk manager focusing on loss control in the areas of civil and fleet liability. The risk manager also assists with the administration of the workers' compensation program. All City programs undergo a periodic risk analysis.

Loss control services of the City's insurers are used regularly to reduce exposures. The City also maintains a sidewalk inspection and replacement program to help reduce the number of "trip and fall" claims. In addition, high-level training for police officers continues to be emphasized.

DEBT ADMINISTRATION

Debt is paid for in one of three ways. The general operating millage will pay for debt related to governmental facilities. Debt issued prior to fiscal 2005 for business-type activities will be retired with user fees. Bonds issued in conjunction with the Ford Community and Performing Arts Center as well as business-type activities debt issued beginning in fiscal year 2005 will be funded by voter approved debt millages.

A ballot proposal was approved in August 2004 authorizing the City to issue debt (bonds and low interest State Revolving Fund (SRF) loans) in an amount not to exceed \$314.12 million to fund the federally mandated Combined Sewer Overflow (CSO) project. Construction of approximately half of the project is underway and the balance of the project is currently in the design phase. SRF funding received to date totals almost \$241 million. In addition, \$24.5 million in open market bonds were issued for phase one construction. The City will pursue all grant opportunities and will continue to apply for low interest loans from the State of Michigan to fund this project.

In addition to bonded debt, the City has used installment purchase agreements from time to time as a means of financing the acquisition of selected equipment. The expected useful life of financed equipment is five to seven years or more, which substantially exceeds the typical financing term of four years.

MAJOR INITIATIVES

The City of Dearborn's personnel continue to strive for constant improvements to provide the highest level of customer service possible within revenue constraints. Satisfaction of our citizens, customers and partners is the organization's driving force. All of the services provided are evaluated on the basis of the benefits they provide both to individual users and to the community as a whole.

Master Plan and Zoning

The Mayor is assembling a group of residents and business owners from the community to participate in a review of the Master Plan and Zoning. The interest is to update these documents so that Dearborn is positioned for the market demands of tomorrow and aligned with the expectations of the community. The intent is for Dearborn to be viewed favorably from a development and re-development standpoint, and to make business experiences clear and positive.

Improved Building and Safety

The Mayor is looking to enhance performance of the building and safety operation similar to the master plan and zoning. The building permits and inspection programs are being aligned with making investing and doing business in Dearborn more desirable.

Downtown Redevelopment

The City of Dearborn was designated by the Governor as one of Michigan's "Cool Cities" and along with that comes access to resources including grants, loans and tax credits to assist in revitalization and redevelopment projects that will attract and retain jobs in Dearborn.

One of the first projects the City will undertake is to create a visitor and welcome center on the lower level of Bryant Library in West Dearborn. The welcome center will have kiosks and informational brochures about things to see and do in Dearborn. The welcome center will house the Dearborn Chamber of Commerce and the space should be renovated and occupied in the coming year.

West Dearborn has seen a number of significant development projects in the last few years, beginning with the development of the former Jacobson's department store site on the south side of Michigan Avenue. On June 15, 2006 the City celebrated the grand opening of West Village Commons, a two-block area that has been transformed into commercial retail, dining and office mixed-use functions. It represents an investment of about \$65 million and is a major step in revitalizing West Dearborn. The condominiums constructed one block south of West Village Commons represent the second phase of the development and most are now occupied. The third phase, now in the final planning stage, will be a seven story tower for either student housing or senior living.

To the west of the development above, there is the Gateway Plaza development that involved the complete replacement of the ground floor commercial buildings and added a second floor for residential housing. This project is in the final stages of construction with occupancy expected in the next calendar year.

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Changes are also happening on the north side of Michigan Avenue in West Dearborn. The Dearborn Village North condominiums represent the beginning of the development of an entire city block. A portion of the project has already been completed with the construction of a five story building. The main floor retail has been leased and is occupied by national chain outlets including Panera Bread and Buffalo Wild Wings. Construction of the upper floor apartments is in the finishing stage with lease and occupancy expected this year. The larger connected development includes retail shops, restaurants, a public plaza, a movie theatre complex, a parking deck and four mid-rise buildings containing 256 condominiums. Developer plans underway for even more development in West Dearborn include a hotel and a public plaza and additional condominiums.

Redevelopment efforts in East Dearborn are focused on the City owned property located at the corner of Michigan Avenue and Schaefer, across from City Hall. The City acquired the former Montgomery Wards site after private developers could not secure an appropriate project for the business district. Development of this five acre parcel is expected to be the catalyst for redevelopment in East Dearborn. A preferred developer agreement is now in place and the developer is working with a client to create a multi-use project that will include retail, restaurants and a medical facility.

Central Dearborn is following the Ford Motor Land master plan called "the Fairlane Community" that was launched in 1970. The Fairlane Community is southeastern Michigan's premier business, retail, residential and recreational community. It comprises 2,360 acres surrounding Ford Motor Company's world headquarters in Dearborn. Approximately 1,800 acres of those acres are in Dearborn. This master-planned community is a national model of aesthetic and economic success, characterized by its preservation of the environment, award-winning architecture and full complement of world-class amenities.

The 200,000 square-foot Ford Community and Performing Arts Center continues to prosper. It opened in the summer of 2001 and received national recognition for its design. The structure is the largest municipal-owned facility of its kind in North America and continues to grow in popularity. This popularity is producing operating revenues that are greater than expenses. From a cultural, a community, and a financial perspective, this Center is everything the City had hoped for and more.

Central Dearborn is attractively designed, continues to develop, and is a very desirable location for professional businesses and living.

Conference Center

The Detroit Metro Convention and Visitors Bureau contracted with a consultant to produce a regional facility strategy study to analyze the potential for the expansion of convention and conference facilities in the Metropolitan Detroit Area. The consultants reported that there was a need for additional or larger facilities. The City is pursuing a feasibility study to determine if the market would support a conference center in specific areas in Dearborn. There is land available that is conveniently located next to major roadways and freeways that allow for an easy and quick commute to the Metro Airport. These locations also are in close proximity to nationally prestigious hotels, shopping malls, Ford World Headquarters and other large business operations.

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Other Initiatives

The Federally mandated Combined Sewer Overflow (CSO) project continues to be a major endeavor. A revised National Pollution Discharge Elimination System permit has been negotiated with the Michigan Department of Environmental Quality (DEQ) and required the project to be completed by 2012. Approximately half of the construction is currently underway and the next phase of construction will begin in the fall of 2007.

The City of Dearborn has implemented funding mechanisms for major asset replacement, infrastructure replacement and capital maintenance. The City Engineer has established annual funding levels for streets, sidewalks, and water and sewer line construction. Major assets such as vehicles and off-road equipment have replacement schedules that are funded on an ongoing prorated annual basis. The technological equipment replacement plan follows the same funding approach.

AWARDS

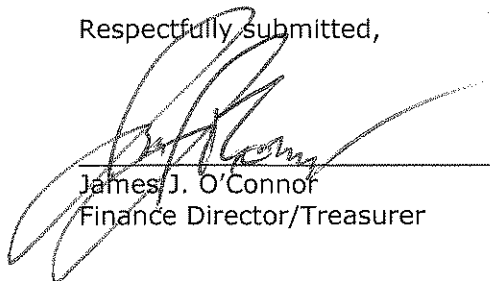
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Dearborn for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2006. This was the ninth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized CAFR. This report satisfies both GAAP (Generally Accepted Accounting Principles) and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

Appreciation is extended to the elected officials, department heads, and other employees responsible for contributing to the sound financial position of the City. In particular, we acknowledge the special efforts of the entire Finance department as well as the staff from other departments that contributed to the development of this report.

Respectfully submitted,



James J. O'Connor
Finance Director/Treasurer



Sharon J. Schwab
Assistant Finance Director

CITY OF DEARBORN MISSION STATEMENT

PREAMBLE

Dearborn has a reputation for providing outstanding public service. For over 70 years, Dearborn citizens have benefited from a public service philosophy that has placed their well-being ahead of all other priorities. Today, because of this philosophy, providing outstanding public service is no longer a goal; it's a standard. This standard makes Dearborn a unique and special place to live and work.

Dearborn citizens have responded with a deep sense of loyalty and devotion to the city. They possess a fierce pride in its reputation and are confident in the city's ability to prosper in the future.

MISSION

Our mission is to provide the best possible public service as defined by the citizens of this community in the most efficient manner. This mission includes preserving the finest from Dearborn's past and building on past successes for the future.

GUIDING PRINCIPLES

Dearborn citizens can expect:

- ◆ The city's total commitment to provide the best possible service
- ◆ Respect and courtesy
- ◆ Fair and consistent treatment
- ◆ Cooperation and honesty
- ◆ Open communication and easy accessibility
- ◆ Our constant readiness to help

City employees can expect:

- ◆ Trust, respect, honesty, and fairness
- ◆ The basic resources needed to do a good job
- ◆ Clear and complete direction when necessary
- ◆ A supportive environment that encourages input on what should be done and how it should be done
- ◆ Recognition and reward based on merit

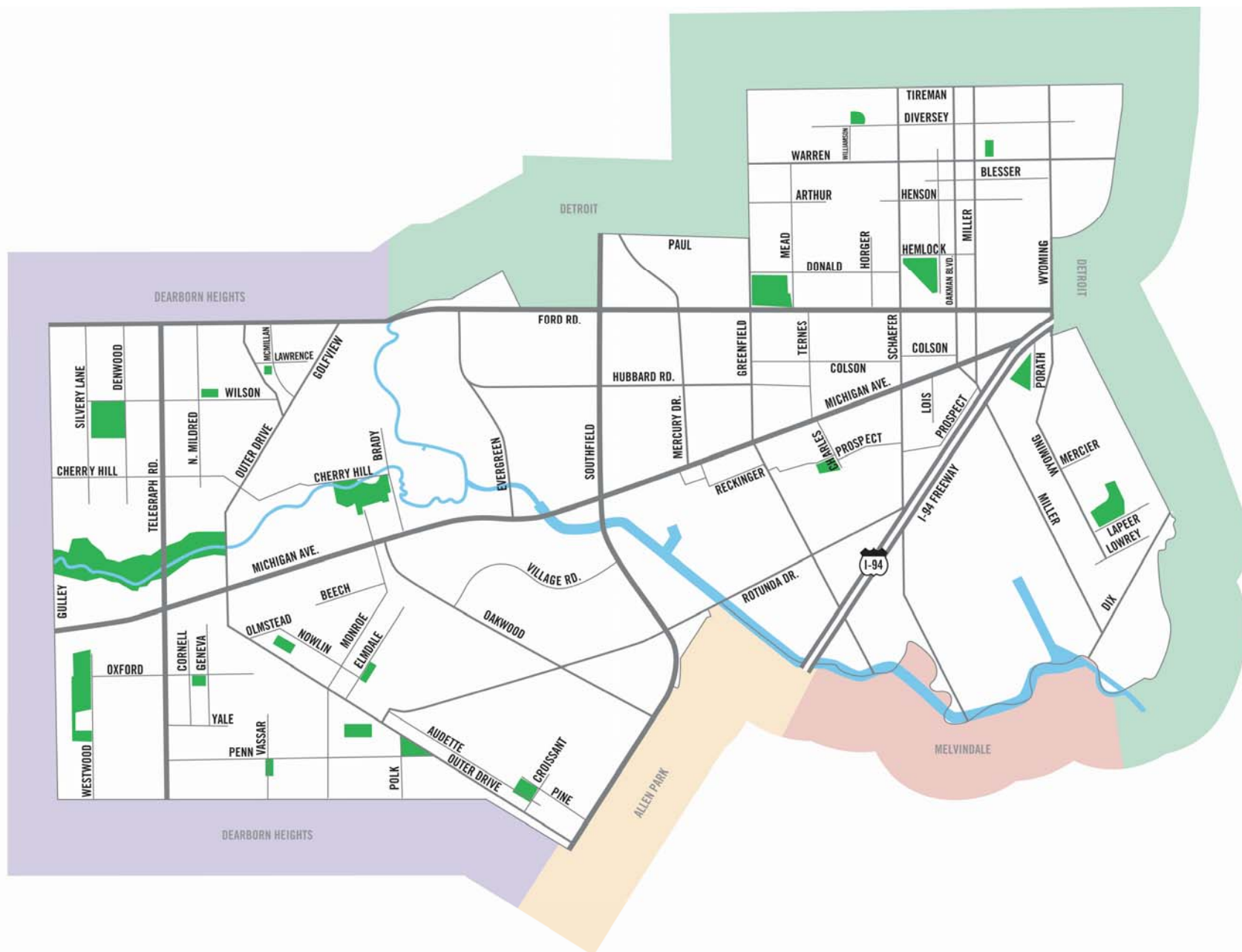
City employees are expected to:

- ◆ Make a total commitment to provide the best possible public service
- ◆ Use all available resources efficiently and effectively
- ◆ Continuously seek ways to improve service delivery through innovation
- ◆ Continuously seek feedback from citizens
- ◆ Be responsible and accountable for their actions
- ◆ Ask for training when necessary
- ◆ Challenge the status quo if they believe that service delivery can be improved
- ◆ Value, support, and respect co-workers as teammates

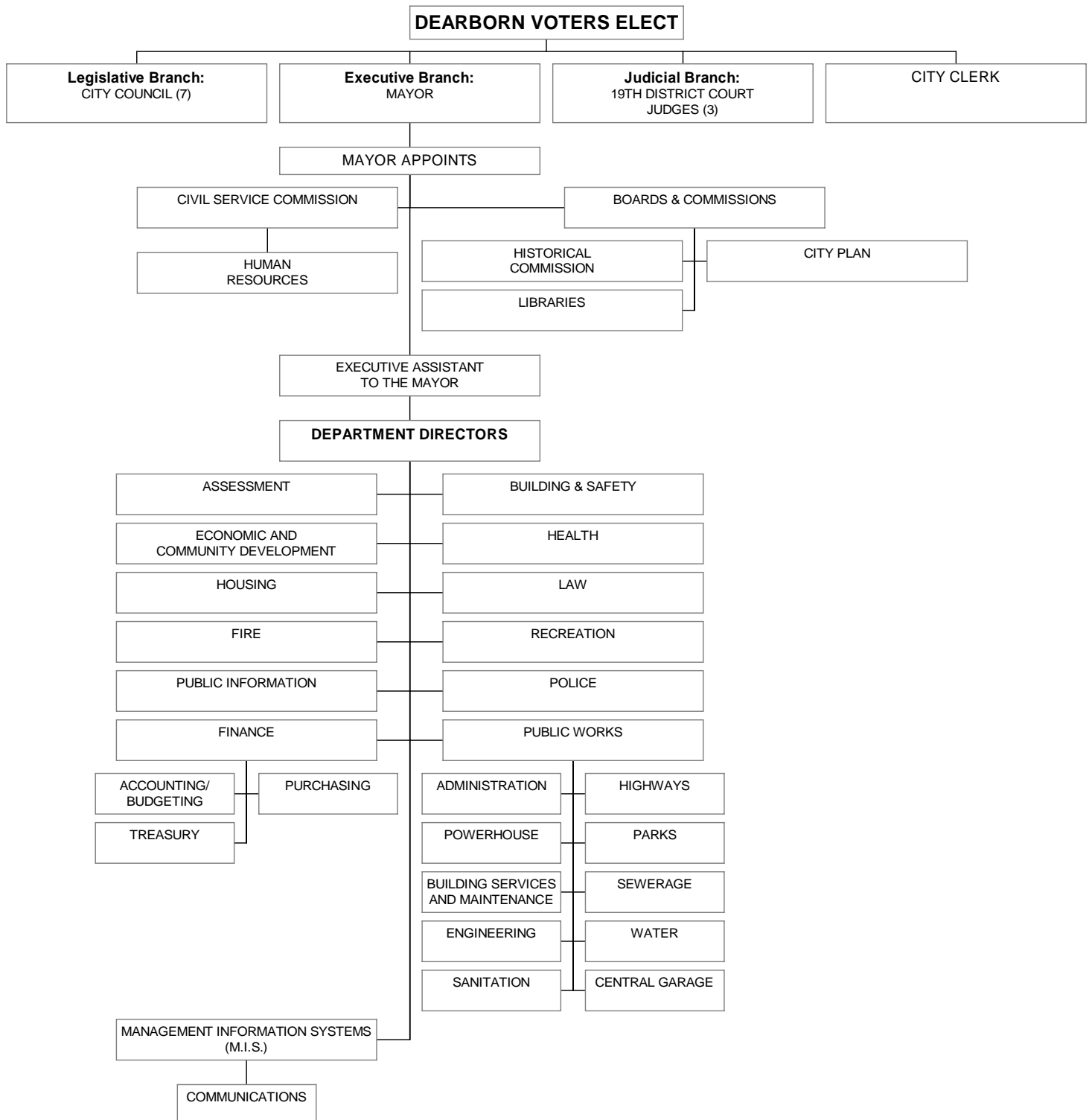
The city administration will:

- ◆ Foster cooperation and teamwork between employees and citizens
- ◆ Evaluate every action based on its value to our citizens
- ◆ Work with other public agencies to obtain the most benefits for our citizens
- ◆ Attract citizens dedicated to Dearborn and its future
- ◆ Continually strive to improve our efficiency and effectiveness

CITY OF DEARBORN



DEARBORN'S ORGANIZATION CHART



CITY OF DEARBORN, MICHIGAN

List of Principal Officials

June 30, 2007

TITLE	NAME
Mayor	John B. O'Reilly, Jr.
City Clerk	Kathleen Buda
City Council President	Thomas P. Tafelski
Council President Pro Tem	Nancy A. Hubbard
Council Members	Douglas P. Thomas
	Suzanne Sareini
	Mark Shooshanian
	Robert A. Abraham
	George T. Darany
Building & Safety Director	David J. Norwood
City Assessor (Acting)	Bonnie L. Ordus
City Engineer	Godfrey A. Udoji, P.E.
City Librarian	Maryanne Bartles
City Planner	John J. Nagy
Corporation Counsel	Debra A. Walling
Economic & Community Development Director	Barry Murray
Mayor's Chief of Staff	Mark G. Guido
Finance Director/Treasurer	James J. O'Connor
Human Resources Director	Valerie Murphy-Goodrich
Manager Information Systems	Doug Feldkamp
Purchasing Agent	vacant
Fire Chief	Nazih Hazime
Health Director	Joan Gumkowski
Housing Director	Floyd Addison
Museum Chief Curator	Kirt Gross
Police Chief	Michael Celeski
Public Works Director	Kurt A. Giberson
Public Information Director	Mary Laundroche
Recreation Director	Greg Orner

Independent Auditor's Report

To the Honorable Mayor and Members
of the City Council
City of Dearborn, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Dearborn as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Dearborn's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Dearborn as of June 30, 2007 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dearborn's basic financial statements. The management's discussion and analysis, retirement and postemployment benefit system schedules of funding progress, and the budgetary comparison schedules, as identified in the table of contents, are not required parts of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. The introductory section, other supplemental information, and statistical section, as identified in the table of contents, are presented for the purpose of additional analysis and are not required parts of the basic financial statements. The budgetary comparison schedules, combining balance sheets, and combining statements of revenue, expenditures, and changes in fund balance have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. We have applied certain limited procedures to the management's discussion and analysis and retirement and postemployment benefit systems schedules of funding progress, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it. The introductory section and statistical section have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

To the Honorable Mayor and Members
of the City Council
City of Dearborn, Michigan

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2007 on our consideration of the City of Dearborn's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Plante & Moran, PLLC

October 18, 2007

This section of the City of Dearborn's annual financial report represents our discussion and analysis of the City's financial performance during the fiscal year that ended June 30, 2007. It should be reviewed in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets (on page 19) and the Statement of Activities (on pages 20 and 21) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 22. These statements tell how services were financed in the short term as well as what remains for future spending for governmental activities. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the City as a whole begins on page 19. One of the most important questions asked about the City's finances is: "Is the City as a whole better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net assets – the difference between assets and liabilities – as one way to measure the City's financial health or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, such as changes in the City's property tax base and the conditions of the City's roads, to assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into three kinds of activities:

Governmental activities – Most of the City's basic services are reported here including police, fire, public works, recreation and the general administration. Property taxes, franchise fees, and state-shared revenues finance most of these activities.

Business-type activities – For these activities, the City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's water and sewer system, golf course, housing, and parking system activities are reported here.

Component units – The City includes four separate legal entities in its report – the East and West Dearborn Downtown Development Authorities, the Brownfield Development Authority and the Economic Development Corporation. Although legally separate, these “component units” are important because the City is financially accountable for them.

Reporting the City's Most Significant Funds

Fund Financial Statements

Our analysis of the City's major funds begins on page 22 and provides detailed information about the most significant funds; not the City as a whole. The City's two kinds of funds, governmental and proprietary, use different accounting approaches.

Governmental funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental **activities** (reported in the Government-wide Statement of Net Assets and the Government-wide Statement of Activities) and governmental **funds** in a reconciliation following the fund financial statements.

Proprietary funds – When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Government-wide Statement of Net Assets and the Government-wide Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements with more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services to the City's other programs and activities. The activity of the internal service funds is eliminated in the government-wide statements to avoid any “doubling up” in reporting revenues and expenses.

The City as Trustee

Reporting the City's Fiduciary Responsibilities

The City is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that, because of a trust agreement can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 34 and 35. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

City of Dearborn, Michigan

Management's Discussion & Analysis June 30, 2007

The City as a Whole

The following table reflects the condensed Statement of Net Assets compared to prior year:

Table 1
Net Assets
(in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY2007	FY2006	FY2007	FY2006	FY2007	FY2006
Current and other assets	\$ 100.1	\$ 102.2	\$ 68.8	\$ 60.9	\$ 168.9	\$ 163.1
Capital assets	137.5	134.2	270.1	225.7	407.6	359.9
Total assets	<u>237.6</u>	<u>236.4</u>	<u>338.9</u>	<u>286.6</u>	<u>576.5</u>	<u>523.0</u>
Long-term liabilities	27.5	33.4	120.4	88.5	147.9	121.9
Other liabilities	11.9	13.7	19.8	16.1	31.7	29.8
Total liabilities	<u>39.4</u>	<u>47.1</u>	<u>140.2</u>	<u>104.6</u>	<u>179.6</u>	<u>151.7</u>
Net assets:						
Invested in capital assets, net of debt	114.1	107.8	147.7	133.9	261.8	241.7
Restricted	31.2	31.3	23.5	17.4	54.7	48.7
Unrestricted (deficit)	52.9	50.2	27.5	30.7	80.4	80.9
Total net assets	<u>\$ 198.2</u>	<u>\$ 189.3</u>	<u>\$ 198.7</u>	<u>\$ 182.0</u>	<u>\$ 396.9</u>	<u>\$ 371.3</u>

Net assets serve as an indicator of the City's financial position. The table above indicates that the City of Dearborn assets exceeds liabilities by \$396.9 million as of June 30, 2007. The largest category of net assets is represented by the investment in capital assets, net of outstanding debt. It is important to note that these assets are not available for future spending and although they are shown here net of related debt, other resources will be needed to make the debt payments in the future.

The second category of net assets is defined as those that have external restrictions that dictate how the assets are to be used.

The final category of net assets is unrestricted and these are the assets that are available for use in the City's ongoing operations.

Table 1 Comments:

Total Primary Government net assets increased 8.9% or \$25.6 million from \$371.3 million to \$396.9 million. Of this change \$8.9 million is related to Governmental Activities and the remaining \$16.7 million is included in the Business-type Activities. Specific information about these changes follows.

Governmental activities - Total assets increased .5% or \$1.2 million from \$236.4 million to \$237.6 million. The increase in capital assets of \$3.3 million is offset by a decrease of \$2.1 million in other assets. The decrease in other assets represents the difference between the reduction in cash and the increase in the land inventory at year-end. The reduction in total liabilities of \$7.7 million is the result of debt service payments made on outstanding bonds and less accounts payable related to capital projects in the special revenue funds at year end.

City of Dearborn, Michigan

Management's Discussion & Analysis June 30, 2007

Business-type activities - The most significant change in business-type activities is related to capital assets and long-term liabilities associated with the CSO project. Tables 3 and 4 provide more information on capital assets and long-term liabilities. Restricted net assets are primarily resources associated with the CSO Project.

The following table reflects the condensed Statement of Activities.

Table 2
Changes in Net Assets
(in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY2007	FY2006	FY2007	FY2006	FY2007	FY2006
Revenues						
Program revenues:						
Charges for services	\$ 19.9	\$ 19.4	\$ 40.0	\$ 39.8	\$ 59.9	\$ 59.2
Operating grants	10.4	11.2	-	-	10.4	11.2
Capital grants	1.3	4.9	3.7	7.1	5.0	12.0
General revenues:						
Taxes	73.6	72.8	3.5	3.2	77.1	76.0
Intergovernmental revenue	9.6	10.0	0.1	-	9.7	10.0
Investment earnings	4.4	3.8	3.0	2.0	7.4	5.8
Other general revenues	0.3	(0.1)	0.2	1.1	0.5	1.0
Total revenues	119.5	122.0	50.5	53.2	170.0	175.2
Program expenses						
General government	18.5	18.0	-	-	18.5	18.0
Public safety	49.2	53.9	-	-	49.2	53.9
Public works	17.6	15.7	-	-	17.6	15.7
Health & welfare	1.0	1.0	-	-	1.0	1.0
Recreation & culture	19.2	20.9	-	-	19.2	20.9
Community improvement	2.3	3.0	-	-	2.3	3.0
Interest on long-term debt	1.3	1.2	-	-	1.3	1.2
Housing	-	-	3.4	3.3	3.4	3.3
Parking	-	-	1.9	0.6	1.9	0.6
Golf course	-	-	1.6	1.6	1.6	1.6
Sewer	-	-	16.9	16.7	16.9	16.7
Water	-	-	11.5	10.7	11.5	10.7
Total expenses	109.1	113.7	35.3	32.9	144.4	146.6
Excess (deficiency) before special items & transfers	10.4	8.3	15.2	20.3	25.6	28.6
Transfers	(1.5)	(2.8)	1.5	2.8	-	-
Increase (decrease) in net assets	\$ 8.9	\$ 5.5	\$ 16.7	\$ 23.1	\$ 25.6	\$ 28.6

Table 2 Comments:

Governmental activities – Governmental activities increased the City's net assets by \$8.9 million which represents about 35% of the total increase in net assets for the year. Overall governmental revenues decreased by 2% or \$2.5 million when compared to last year. Property tax collections increased by \$.8 million over 2006 in part due to Board of Review adjustments and State Tax Commission Orders. Higher interest rates also produced favorable results, increasing investment earnings by approximately \$.68 million dollars. However, grants that were received in 2006 for Homeland security, infrastructure and Brownfield development projects were no longer available in 2007. Total governmental expenses saw a decrease of 4% or \$4.6 million overall. It is important to note that, even though there was an increase in public works that resulted from

City of Dearborn, Michigan

Management's Discussion & Analysis June 30, 2007

moving the central garage activity to the general fund, there was still an overall reduction in costs.

Business-type activities – Business-type activities decreased the City's net assets by \$6.4 million which was caused by a couple of factors. Revenues decreased by 5% as a result of a reduction in capital grants for the CSO project. In addition, the West Dearborn paid parking system began operating in early 2007 but didn't start charging fees until the second quarter of the year, resulting in increased operating costs that were not offset by parking revenues.

General Fund Budgetary Highlights

Over the course of the year, the Mayor and City Council revised the City budget. The budget is automatically amended with the carry-forward of project-life budgets and for encumbrances rolling to the following fiscal year. The budget is also amended by resolution for specific requests, generally for items that were intended to be completed or expended in the previous fiscal year but for some extenuating circumstance were postponed. During the fiscal year, the budget is amended for unanticipated events that could not be foreseen and for opportunities that arose and weren't known previously. Even with these adjustments, the actual charges to appropriations (expenditures) were approximately \$9.0 million below the final budget amount. This can be attributed primarily to savings in personnel costs and contractual services in addition to the departments' efforts to be conscientious of all costs incurred and to look for ways to save the City money.

Capital Asset and Debt Administration

Capital Assets

At the end of fiscal year 2007, the City had approximately \$407 million invested in a broad range of capital assets, including vehicles, police and fire equipment, buildings, park facilities, roads, bridges and water and sewer lines. (See Table 3 below.)

**Table 3
Capital Assets at Year-end
(Net of Depreciation)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY2007	FY2006	FY2007	FY2006	FY2007	FY2006
Land	\$ 3,374,486	\$ 3,616,664	\$ 5,142,173	\$ 5,142,173	\$ 8,516,659	\$ 8,758,837
Right-of-ways	37,818	37,818	-	-	37,818	37,818
Construction in progress	2,799,113	4,128,479	165,160,068	142,931,545	167,959,181	147,060,024
Infrastructure assets	44,599,690	39,937,483	-	-	44,599,690	39,937,483
Buildings & improvements	75,706,499	75,970,698	32,821,455	9,960,926	108,527,954	85,931,624
Machinery & equipment	10,962,484	10,465,001	2,084,709	1,200,114	13,047,193	11,665,115
Water system	-	-	38,985,436	39,961,135	38,985,436	39,961,135
Sewer system	-	-	25,887,981	26,474,784	25,887,981	26,474,784
Total	\$ 137,480,090	\$ 134,156,143	\$ 270,081,822	\$ 225,670,677	\$ 407,561,912	\$ 359,826,820

City of Dearborn, Michigan

Management's Discussion & Analysis June 30, 2007

Table 3 Comments:

This year's major changes included:

Governmental activities:

Machinery & Equipment:

Vehicles	\$ 2,643,242
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Construction in Progress:

Dunworth Pool Filtration/Circulation Replacement	\$ (1,110,011)
Police/Court 4800 Volt Cable	241,096
Police Building HVAC	233,565
DPW Building Roof Replacement	(548,852)

Infrastructure assets, net increase due to cost less depreciation	\$ 4,662,207
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Buildings and improvements, net change due to completed projects less depreciation	\$ (264,199)
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Business-type activities

Facilities:

Miller Road Pump Station	\$ 8,488,992
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Construction in progress (net change)

Parking Systems	\$ (15,648,326)
Sewer Fund	35,875,814
Water Fund	2,001,035
	<hr/>
	\$ 22,228,523

Buildings and improvements, net change due to completed projects less depreciation	\$ 8,069,694
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Additional information on the City of Dearborn's capital assets can be found in Note 3 on pages 57-59 of this report.

City of Dearborn, Michigan

Management's Discussion & Analysis June 30, 2007

Debt

At fiscal 2007 year-end, the City had approximately \$145.8 million in bonds and notes outstanding versus \$118.6 last fiscal year – an increase of 23% - as shown in Table 4.

Table 4
Outstanding Debt, at Year-end
(in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY2007	FY2006	FY2007	FY2006	FY2007	FY2006
General obligation bonds (backed by City)	\$ 23,744,725	\$ 27,217,946	\$100,993,381	\$ 68,401,337	\$ 124,738,106	\$ 95,619,283
Revenue bonds and notes (backed by specific tax and fee revenue)	-	-	21,107,696	23,052,972	21,107,696	23,052,972
Total	<u>\$ 23,744,725</u>	<u>\$ 27,217,946</u>	<u>\$122,101,077</u>	<u>\$ 91,454,309</u>	<u>\$ 145,845,802</u>	<u>\$118,672,255</u>

On June 22, 2006, the City of Dearborn and the Michigan Municipal Bond Authority entered into an agreement whereby the City of Dearborn would issue, and the Michigan Municipal Bond Authority would purchase, up to \$7,450,000 in principal of General Obligation Sewer Bonds, Series 2006 (Unlimited Tax General Obligation) for the construction of the Combined Sewer Overflow project. The City is obligated to pay interest at 1.625 percent per annum commencing October 1, 2006 and semiannually thereafter. The first principal payment is due April 1, 2008 and will continue to be due April 1 through 2027.

On April 5, 2007 the City of Dearborn issued \$9,840,000 in General Obligation Unlimited Tax Bonds with interest rates that range from 3.5% to 4.0%. The proceeds from these bonds along with an additional contribution from the General Debt Service fund, were used to advance refund \$9,975,000 of general obligation unlimited tax bonds. The net proceeds of \$10,125,831 (net of underwriting fees, insurance and issuance costs) were used to purchase U.S. Certificates of Indebtedness – State and Local Government Securities (SLGS). Those securities were deposited into an irrevocable trust with an escrow agent and subsequently used to pay off the bonds on June 1, 2007. The advance refunding reduces total debt service payments over the next 12 years by approximately \$650,000 which represents an economic gain of approximately \$323,000.

In addition the City continues to draw down SRF funds authorized in prior years for construction of the CSO project resulting in increased debt in the Sewer fund.

Additional information on the City of Dearborn's long-term debt can be found in Note 4 on pages 60-67 of this report.

Fiscal Year 2008 Budgets & Rates

All fund budgets, as submitted, are balanced and financed by either current estimated revenues or fund equity. The total of the General Fund expenditure budget is \$109,857,972 and the combined expenditure budget for all funds, before the elimination of inter-fund duplicating transfers, is \$255,693,624.

City of Dearborn, Michigan

Management's Discussion & Analysis June 30, 2007

The operating and the garbage and rubbish millage combined rates are slightly lower than the previous fiscal year at 14.6675 mills. The November 1996 voted debt millage rate decreased from .52 mills to .5125 mills and the August 2004 voted debt millage rate increased from .78 to 1.60 mills. The net total millage rate is .73 mills higher than the last fiscal year at 16.78 mills driven by the federally mandated sewer system improvements and associated tax payer voted debt millage.

The City of Dearborn combined water and sewer rate increased 8.6%. The increase in rates from the City of Detroit and capital infrastructure projects are the drivers of the increase. The Combined Sewer Overflow (CSO) projects and the continued replacement of aging systems may influence rates in the future.

Table of Major Revenue Rates

Description	Fiscal Year 2006 -2007	Fiscal Year 2007-2008	Difference
Tax Millage Rate:			
City Operating	13.6275	13.6275	.0000
Garbage & Rubbish	1.1225	1.0400	(.0825)
Debt Service	1.3000	2.1125	.8125
Total Millage Rate	16.0500	16.7800	.7300
Water Rate	14.15	15.85	1.70
Sewer Rate	22.58	24.05	1.47

Major Capital Initiatives

The 2007-2008 funding of the Capital Improvement Plan is \$61,891,182. The City is reinvesting in infrastructure and public assets. A classification breakdown follows with some notable projects specifically identified. The projects are supported by various funds including the General Fund via the General Capital Improvement Fund, Drug Law Enforcement Fund, Community Development Block Grant Fund, Major and Local Street Funds, and the Water and Sewer Funds.

Property - \$2,674,500

♦ Industrial Park Development	\$1,499,500
♦ Operation Eyesore	500,000
♦ Other Development Projects	675,000

Infrastructure - \$12,860,413

♦ Streets	5,075,786
♦ Water	1,000,000
♦ Sewer	1,750,000
♦ Sidewalk	5,034,627

City of Dearborn, Michigan

Management's Discussion & Analysis June 30, 2007

Facilities - \$45,984,959

♦ West Dearborn Development	\$29,990,000
♦ East Dearborn Development	14,797,807
♦ Facility Deficiencies	250,000
♦ Sewer Facilities	200,000
♦ Parks	526,152
♦ Other Facility Projects	221,000

Other - \$371,310

♦ Other and Contingency	371,310
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Redevelopment

The City is periodically contacted with requests to identify large parcels of land. It has been difficult to meet the demand and too often opportunities are foregone. Underutilized property exists within the City and there are efforts to assemble parcels for development. Some of the property may require environmental remediation to address previous industrial use contamination issues. This strategic effort is speculative and will involve the investment of resources for several years. The demand for property is consistent and the investment is expected to be low-risk but not expected to yield immediate return. The effort is focused on long-term positioning and not on short-term return. It is very important that underutilized property be reconditioned and returned to its highest applicable use capacity.

General Fund - Estimated Revenues

The General Fund \$109,857,972 expenditure budget is financed by income of \$105,328,680 and fund balance of \$4,529,292. The use of fund balance is directly related to the current economy and the municipal finance model not producing revenue increases that keep pace with personnel benefit cost increases. Many efforts have been made to control costs and will continue for at least the coming year. The Mayor and Council agreed that they would continue, as always, to take the time to make wise decisions.

Property taxes and related sources total \$71,849,591, an increase of \$1,777,783 or 2.54% over the previous year's budget. Property taxes and related sources account for 68% of total General Fund revenues. Ad valorem real property values in comparison to ad valorem personal property values have shifted from a 70/30 mix in the early 1990s to a current 83/17 mix. Prior to fiscal year 2004 (tax year 2003), personal property was the second largest tax base and now it is third. Residential property is the largest taxable property value and has produced the greatest return, however we must recognize that growth is limited. Residential property equates to 50.4% of the ad valorem property value which is the highest percentage of any single property classification and up from 38.62% in 1995 with the implementation of Proposal "A". The following paragraphs will cover the State mandated changes that have reduced or limited property tax revenues.

This is the eighth year of the State Tax Commission revised depreciation personal property multiplier tables and again, personal property taxes decreased. Personal property taxable values correspondingly have decreased the past eight years as follows: .85% for fiscal year 2008, 11.14% for fiscal year 2007, 2.88% for fiscal year 2006, 5.38% for fiscal year 2005, 3.91% for fiscal year 2004, 6.26% for fiscal year 2003, 8.9% for fiscal year 2002, and 3.76% for fiscal year 2001. These depreciation tables continue to decrease taxable personal property value in a more

City of Dearborn, Michigan

Management's Discussion & Analysis June 30, 2007

rapid fashion than the previously used tables. In other words, this revenue source has experienced large reductions and will continue to decline. The revenue could stabilize if businesses invest in new personal property that offsets the faster depreciation amounts. A good economy hides some of the impact of the new tables but in a slow economy, the effect of new tables is even more evident. The City Assessor continues contracting for the audit of personal property returns for oversight of the reporting entities.

The 3.7% real property growth inflation factor for tax year 2007 set by Proposal "A" of 1994 controls the growth of the largest property classification. In recent years, the low interest rates combined with demand for property provided some relief with the turnover of property in the uncapping of values. However, this trend is leveling off as interest rates begin to rise and turnover of property decreases.

State Shared Revenue is the next largest single revenue for the General Fund and is estimated at \$9,774,317, which is \$109,980 less than the previous year's budget and is slightly lower than what is projected for fiscal year 2007. State Shared Revenue is exclusively funded by sales tax. Income tax, single business tax, and inventory reimbursements were legislatively discontinued from distribution to local units of government after fiscal years 1997, 1996, and 1999 respectively. The State Constitution limits the sales tax rate to 6% and dedicates taxes levied at the rate of 2% to the State School Aid Fund. The State Constitution mandates that 15% of total revenues collected from sales taxes levied at a rate of 4% be distributed to townships, cities, and villages. In addition to the constitutional distribution, there is a statutory distribution of sales tax. The State Shared Revenue distribution formula was revised four years ago with an emphasis on population. The new formula is phased in over 10 years. The 2000 Census figures are a very important component of the calculation for Dearborn. Dearborn's population grew 10% or 8,489, from 89,286 (1990) to 97,775 (2000) per the U.S. Census. The State has not fully funded, by appropriation, the statutory distribution formula and has used these reductions to help balance the State's budget. The continued slow economy with no growth in sales tax revenues available for distribution to local governments and the State's decision to not fund distributions per the formula are significant concerns.

Property taxes and Intergovernmental Revenues (mostly State Shared Revenue) account for 78% of the General Fund revenue budget. The remaining revenues are important but not of the same magnitude.

Charges for services are estimated at \$9,950,133, which is an increase of \$509,345. Ambulance service revenue was increased by \$260,000 and Engineering and Inspection revenue by \$200,000 to reflect recent trends.

Licenses and permits are estimated at \$2,345,050, which is a decrease of \$108,500. Building and Safety mechanical permits were reduced \$81,000 to reflect a reduction in anticipated permit activity.

Fines and forfeits are estimated at \$3,743,550, which is an increase of \$732,200 from fees and trends at the 19th District Court.

Interest income from investments is estimated at \$2,980,231, which is a decrease of \$119,769 or 3.9% from the previous year.

City of Dearborn, Michigan

Management's Discussion & Analysis June 30, 2007

General Fund - Expenditure Appropriations

The adopted expenditure appropriation for fiscal year 2006-2007 was \$111,897,552 and in fiscal year 2007-2008 it is \$109,857,972. The net decrease is \$2,039,580 for all operating costs. The table below displays the changes by expenditure classification.

	<u>FY07 Adopted</u> <u>Budget</u>	<u>FY08 Adopted</u> <u>Budget</u>	<u>Difference</u>	<u>Percent</u> <u>Change</u>
Personnel services	\$ 82,156,291	\$ 81,668,311	\$ (487,980)	-0.6%
Operating expenses	17,668,208	16,918,437	\$ (749,771)	-4.2%
Supplies	3,394,541	3,334,288	\$ (60,253)	-1.8%
Utilities	4,289,219	4,593,385	\$ 304,166	7.1%
Capital Outlay	915,216	785,492	\$ (129,724)	-14.2%
Debt service	1,716,933	1,716,621	\$ (312)	0.0%
Transfers out	4,614,236	3,436,129	\$ (1,178,107)	-25.5%
Undistributed appropriations	874,110	1,039,243	\$ 165,133	18.9%
Expenses allocated out	(3,731,202)	(3,633,934)	\$ 97,268	-2.6%
Total	<u>\$ 111,897,552</u>	<u>\$ 109,857,972</u>	<u>\$ (2,039,580)</u>	-1.8%

Personnel Services

Salaries, wages, and benefits account for 74.3% of the total General Fund expenditure budget. Salaries and wages decreased \$1,302,364 or 2.42% as the result of 11 more position reductions and because the previous year included one time incentive pay for downsizing efforts. The costs of benefits, particularly legacy benefit funding for pensions and post-retirement health care, increased and offset savings. The end result is no growth to the compensation package appropriation.

Operating Expenses

The category of operating expenses includes contractual and professional services, repair and maintenance services, printing and publishing, training and transportation, rentals, community promotion and communications. City departments have done excellent work in decreasing operating costs. Most departments have reduced staff and are restructuring in varying degrees. The decreases in this area are mainly reductions in contractual services such as \$196,000 for building demolitions and board-ups and \$109,500 for tree trimming services as well as \$120,000 in building and equipment repair and maintenance at the Central Garage.

Supplies

Supplies decreased \$60,253 or 1.8% from fiscal year 2007. The decreases were in a variety of areas throughout many departments.

Utilities

Utilities remained stable from fiscal year 2007 with a slight increase of \$2,215 overall.

Capital Outlay

Vehicles, equipment, computers, and copiers are paid for on an ongoing basis as part of the operating budget. Money is accumulated or borrowed for replacements. Each department pays an annual amount to cover replacement costs.

City of Dearborn, Michigan

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The following listing summarizes capital outlay by classification of expenditure.

Library Materials	\$ 603,000
Data Processing	\$ 30,000
Radio	\$ 42,000
Operating Equipment	\$ 110,492

Resources are allocated for capital in every budget cycle to prevent the deferring of capital reinvestment. The approach consistently applied is to fund asset replacements on an ongoing basis. Typically, there is a schedule of assets with a replacement rotation on a level funding basis or the accumulation of resources for mass replacement. This depends on the type of asset and the best overall approach for the asset type. The General Capital Improvement Fund is provided an allocation annually for significant capital repairs, replacements, and renovations. An extensive Facilities Study has been performed and the results are used to prioritize projects. Combining these approaches with preventative maintenance helps to maintain assets in good condition, extend useful life, and manage costs.

Debt Service

Debt Service represents lease payments to the Building Authority or direct payments for debt service. The Court & Police building payments are \$922,176. The lease for the Powerhouse renovation, the Ford Woods Park reconfiguration, and the additional ice surface for the Dearborn Ice Skating Center is \$794,445. When possible, debt is refinanced for lower interest rates.

Transfers out

Transfers out are in support of operating activities or capital projects. The following list represents contributions and purpose:

Contribution to Designated Purposes	\$ 92,362	Homecoming, Memorial Day, Wellness, Dearborn on Demand
Contribution to Camp Dearborn	\$ 252,105	Support of Capital Investment
Contribution to Local Streets	\$ 200,000	Support of Capital Investment
Contribution to Capital Improvement	\$ 2,045,005	Capital project financing
Contribution to West Dearborn Parking	\$ 596,657	Operating Subsidy
Contribution to Fleet & Gen. Liability	\$ 250,000	Tax Settlement Reserve

Undistributed Appropriations

Undistributed appropriations are comprised of a \$500,000 contingency for the General Fund non-departmental and \$539,243 miscellaneous department contingencies. The contingency account is used to budget for assumption risk and unplanned events. Historically, if a department was aware of an event that could occur in the following year, a budget would have been requested for that event. This resulted in many budget items to handle "what if" situations in a single department. All of these "what if" situations are being combined to a lower number that will handle some, but not all, of the situations. The expectation is that not all of the events will occur or result in costs.

Expenses Allocated Out

Expenses allocated out are the result of services provided directly to other funds, mostly by the Highways Division of Public Works to the Major and Local Street Funds. These are credits to the

City of Dearborn, Michigan

Management's Discussion & Analysis June 30, 2007

General Fund and charges to the other funds. Credits will vary depending on projects scheduled, funding levels, and the actual inter-fund activity.

General Fund - Equity

The fund balance of the General Fund is budgeted to absorb \$4,529,292 per the 2007-2008 adopted budget. Bond rating agencies consider the fund balance as a component in establishing a rating. The City of Dearborn has received good ratings in part due to a healthy balance sheet. The 2007-2008 budget reflects planned use of the fund balance in order to provide the time needed to adjust operations in the best possible manner. The departments are continuing to propose adjustments to align appropriations with revenues. The City will continue its historical commitment to good financial management.

Unexpended "project life" appropriations from the current fiscal year do not lapse at fiscal year end and are committed to the project. In order to prevent the re-budgeting of resources, these budgets, in essence, are reserved. This is a standard practice across all funds.

As a mature community, Dearborn must reinvest and promote Dearborn as an attractive place to live and work for a wide mix of people from various socio-economic and ethnic groups. As previously mentioned, there are projects planned that will have a long-term beneficial effect on the long-term well-being of the community. A City marketing initiative is being planned for the coming year.

Future Financial Challenges

Vision and good planning are necessary to position the City for the future. Proposal "A" of 1994, the Headlee Tax Millage Rollback Amendment, and the "built out" land status all contribute to limiting tax revenue growth. The State's reduction in revenue sharing to municipalities is most unfavorable. Combining these challenges with the impact of the slow economy on other revenues and also causing some expenditures such as pension contributions to increase, makes for a very difficult situation. For fiscal year 2009, the Mayor and Council are aware that some continued downsizing will be necessary.

To hedge the financial challenges impact on the future, the City Leaders adopted a redevelopment strategy directed at rejuvenating brownfields and critical areas that will ensure the long-term success of the community. Among the many side benefits will be an improvement to the community in which we live. Also, the Ford Community & Performing Arts Center gives Dearborn a competitive advantage for attracting residents. Combined with other advantages such as good schools, good employers and employment opportunities, proximity to a major airport, major highways, and education centers, Dearborn is strategically well positioned; however, given the revenue growth restrictions already mentioned, fiscal responsibility and operational effectiveness/efficiencies will need to be primary focuses of every person working at the City.

Other Governmental Fund Types

This section addresses issues concerning other fund types and is not intended to be a detailed review of all these funds. Major and Local Street Funds rely on State Gas & Weight Tax revenue.

City of Dearborn, Michigan

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The FY2008 estimated Gas & Weight Tax revenue budget for both funds combined decreased 1.7% or \$108,250 less than FY2007.

The Local Street Fund operating transfers in of \$3,662,168 includes \$3,080,938 contribution from the Major Street Fund, \$381,230 from the Community Development Block Grant Fund, and \$200,000 from the General Fund. Both funds have the financial capacity to maintain and rebuild the roads, as proposed, in the coming fiscal year. If actual revenues fall below budget, some construction work may need to be postponed. The fund balance of the Major Street Fund and Local Street Fund is budgeted to help support the scheduled projects.

The proposed budget includes a \$252,105 contribution from the General Fund to the Camp Dearborn Operating Fund for capital investment. The Capital Improvement Plan includes capital support for the Camp for the next couple years. From an operations standpoint, the camp is budgeted to be self supporting for this year.

The grant revenue from the Community Development Block Grant Fund is projected to be \$2,155,795 which is \$60,628 higher than FY2007.

The November 1996 voted Civic Center Unlimited Tax General Obligation Bonds for \$23,860,000 were issued June 11, 1998. These bonds were refinanced in 2007 producing savings over the life of the bonds. The tax millage rate for fiscal year 2007-2008 is .5125 mills for debt service to pay the principal and interest payments on these bonds. This rate decreased .0075 mills from last year. Resources raised by this millage can only be used to pay the bond debt and every effort is made to keep this rate stable or declining.

The General Capital Improvement Fund is primarily financed by contributions from other funds. The Capital Improvement Plan is included in this document and presents both projects in progress and scheduled projects.

Proprietary Fund Types

Parking System

The East and West Parking System Funds are merged and reported as a single fund for financial reporting. The City maintains separate funds for management purposes. These funds account for the operations and capital projects of the parking systems. These funds are budgeted to be self-supporting in all respects with the West Parking System implementing user paid parking as part of this budget. The \$12,998,340 projected net assets is the result of debt-financed parking improvements including two decks that will be depreciated over time. The liquid net assets are expected to be sufficient for working capital only.

Housing

The Seniors Apartment Operating Fund is budgeted to increase net assets \$394,595. The working capital and equity of the fund are both financially healthy. The Dearborn Towers Fund is budgeted to use \$112,666 of net assets to fund operations. This fund has sufficient operating working capital but lacks resources for major capital re-investment in the facility.

Golf Course

The operation continues to be successful and is a going concern. All debt payments and liabilities are paid by the income from operations. The multiyear reconstruction of the major roadway that borders the golf course has been disruptive for customers and has had some impact on the number of rounds played. The golf course will likely experience some disruption of a couple holes in the future as the result of sewer system improvements.

Utility Funds

Water rates and sewer rates are set by ordinance and the budget revenue estimates are based on the assumptions listed in the table earlier in this memo. The revenues support operations, maintenance, and system replacements. The funds are operating on a "pay as you go basis" and are not building limited excess reserves. The City Engineer has established a target infrastructure investment amount for each system and efforts are made to fund the capital projects at this level.

A ballot proposal was approved in August 2004 authorizing the City to issue debt (bonds and low interest State Revolving Fund (SRF) loans) in an amount not to exceed \$314.12 million to fund the federally mandated Combined Sewer Overflow (CSO) project. To date contracts have been awarded and construction is underway on the first three phases of the project. In addition, the City of Dearborn is in the process of obtaining another SRF loan for the next phase of the project which is expected to cost approximately \$100 million. Total approved SRF funding is currently at \$141.985 million and the new loan would bring this total to around \$242 million. Open market bonds for phase one were issued in the amount of \$24.5 million. The tax millage rate for fiscal year 2007-2008 is 1.6000 mills for debt service to pay the principal and interest payments on these bonds.

Insurance Funds

These funds are all in good financial condition in relation to their purpose. The City has been funding for post-retirement health care for more than 15 years. Annual contribution rates have been increased and funding levels are rising. Health care cost increases were kept to a minimum and a consultant is being hired to help with health care strategies.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Department of Finance at the City of Dearborn, 4500 Maple, Dearborn, MI 48126.

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City of Dearborn, Michigan

Government Wide Statement of Net Assets June 30, 2007

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Current assets:				
Cash and cash equivalents (Note 2)	\$ 62,793,901	\$ 19,761,533	\$ 82,555,434	\$ 4,478,329
Accounts Receivable (Net)	2,804,558	7,688,482	10,493,040	-
Unbilled accounts receivable	-	2,375,344	2,375,344	-
Property taxes receivable	489,240	25,745	514,985	13,602
Interest and penalties on taxes	117,059	-	117,059	-
Accrued interest receivable	474,628	352,136	826,764	27,448
Special assessments receivable	22,127	-	22,127	-
Internal balances	(14,261)	14,261	-	-
Due from other governments	6,221,678	653,260	6,874,938	-
Prepaid items	1,994,322	182,759	2,177,081	781
Inventories	12,113,909	445,918	12,559,827	-
Total current assets	87,017,161	31,499,438	118,516,599	4,520,160
Noncurrent assets:				
Advance to (from) other funds	261,500	(261,500)	-	-
Restricted cash and investments	44,881	23,528,470	23,573,351	-
Investments, long-term	12,777,577	14,036,719	26,814,296	-
Capital assets, not being depreciated (Note 3)	6,211,417	170,302,241	176,513,658	-
Capital assets, net of depreciation (Note 3)	131,268,673	99,779,581	231,048,254	-
Total noncurrent assets	150,564,048	307,385,511	457,949,559	-
Total assets	237,581,209	338,884,949	576,466,158	4,520,160
Liabilities				
Current liabilities:				
Accounts payable	3,825,606	4,967,783	8,793,389	13,682
Accrued interest payable	106,876	784,835	891,711	-
Accrued liabilities	1,283,957	99,284	1,383,241	1,036
Deposits/refunds payable	2,169,323	293,179	2,462,502	-
Due to other governments	691,521	186,971	878,492	-
Due to primary government	-	-	-	15,658
Deferred revenue	-	34,747	34,747	-
Liabilities payable from restricted assets	-	7,276,307	7,276,307	-
Current portion of long-term debt (Note 4)	3,766,273	6,135,000	9,901,273	-
Total current liabilities	11,843,556	19,778,106	31,621,662	30,376
Noncurrent liabilities:				
Claims payable	3,668,171	-	3,668,171	-
Other liabilities	153,442	4,000,000	4,153,442	-
Long-term debt, net of current portion (Note 4)	23,716,672	116,357,093	140,073,765	7,654
Total noncurrent liabilities	27,538,285	120,357,093	147,895,378	7,654
Total liabilities	39,381,841	140,135,199	179,517,040	38,030
Net Assets				
Invested in capital assets, net of related debt	114,134,870	147,719,265	261,854,135	-
Restricted for:				
Capital projects	21,748,915	17,383,758	39,132,673	-
Debt service	110,036	6,144,712	6,254,748	-
Projects, roads and other	9,347,171	-	9,347,171	-
Unrestricted	52,858,376	27,502,015	80,360,391	4,482,130
Total net assets	\$ 198,199,368	\$ 198,749,750	\$ 396,949,118	\$ 4,482,130

The notes to the financial statements are an integral part of this statement.

City of Dearborn, Michigan

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 18,558,136	\$ 4,014,763	\$ 273,720	\$ 12,816
Public safety	49,236,224	7,290,859	579,597	-
Public works	17,551,174	1,989,214	6,618,477	85,838
Health and welfare	1,004,187	176,345	-	-
Recreation and culture	19,233,843	6,373,706	1,192,417	53,676
Community improvement	2,269,759	14,000	1,774,508	1,172,657
Interest on long-term debt	1,298,032	-	-	-
Total governmental activities	<u>109,151,355</u>	<u>19,858,887</u>	<u>10,438,719</u>	<u>1,324,987</u>
Business-type activities:				
Housing	3,394,571	3,311,667	-	-
Golf Course	1,557,375	1,322,504	-	-
Parking	1,934,091	1,103,913	-	526,516
Sewer	16,963,805	20,252,157	-	3,194,383
Water	11,518,094	14,071,679	-	-
Total business-type activities	<u>35,367,936</u>	<u>40,061,920</u>	<u>-</u>	<u>3,720,899</u>
Total primary government	<u>\$ 144,519,291</u>	<u>\$ 59,920,807</u>	<u>\$ 10,438,719</u>	<u>\$ 5,045,886</u>
Component units:				
West Dearborn Downtown Development Authority	\$ 730,123	\$ -	\$ -	\$ -
East Dearborn Downtown Development Authority	398,784	-	-	-
Brownfield Redevelopment Authority	79,980	-	-	-
Economic Development Corporation	50,610	-	-	-
Total component units	<u>\$ 1,259,497</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property Taxes				
Intergovernmental revenues - Unrestricted				
Investment earnings				
Miscellaneous				
Transfers				
Total general revenues, special items and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

The notes to the financial statements are an integral part of this statement.

Government Wide Statement of Activities
Year Ended June 30, 2007

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (14,256,837)	\$ -	\$ (14,256,837)	\$ -
(41,365,768)	-	(41,365,768)	-
(8,857,645)	-	(8,857,645)	-
(827,842)	-	(827,842)	-
(11,614,044)	-	(11,614,044)	-
691,406	-	691,406	-
(1,298,032)	-	(1,298,032)	-
<u>(77,528,762)</u>	<u>-</u>	<u>(77,528,762)</u>	<u>-</u>
-	(82,904)	(82,904)	-
-	(234,871)	(234,871)	-
-	(303,662)	(303,662)	-
-	6,482,735	6,482,735	-
-	2,553,585	2,553,585	-
-	8,414,883	8,414,883	-
<u>(77,528,762)</u>	<u>8,414,883</u>	<u>(69,113,879)</u>	<u>-</u>
-	-	-	(730,123)
-	-	-	(398,784)
-	-	-	(79,980)
-	-	-	(50,610)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,259,497)</u>
73,631,345	3,540,409	77,171,754	1,353,318
9,594,061	10,950	9,605,011	
4,442,283	3,038,305	7,480,588	226,559
341,677	182,076	523,753	3,685
<u>(1,533,933)</u>	<u>1,533,933</u>	<u>-</u>	<u>-</u>
<u>86,475,433</u>	<u>8,305,673</u>	<u>94,781,106</u>	<u>1,583,562</u>
8,946,671	16,720,556	25,667,227	324,065
189,252,697	182,029,194	371,281,891	4,158,065
<u>\$ 198,199,368</u>	<u>\$ 198,749,750</u>	<u>\$ 396,949,118</u>	<u>\$ 4,482,130</u>

The notes to the financial statements are an integral part of this statement.

City of Dearborn, Michigan

Balance Sheet Governmental Funds June 30, 2007

	General	Capital Projects	Other Governmental Funds (See page 95)	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 31,238,276	\$ 6,495,579	\$ 12,707,188	\$ 50,441,043
Accounts Receivable (Net)	2,531,236	4,000	258,164	2,793,400
Property taxes receivable	473,714	-	15,526	489,240
Interest and penalties on taxes	117,059	-	-	117,059
Accrued interest receivable	202,442	68,331	105,307	376,080
Special assessments receivable	22,127	-	-	22,127
Due from other funds (Note 5)	279,114	-	100,708	379,822
Due from other governments	4,813,149	14,877	1,393,652	6,221,678
Prepaid items	1,004,069	-	8,240	1,012,309
Inventories	210,927	11,640,357	9,052	11,860,336
Advance to other funds (Note 5)	867,142	-	-	867,142
Restricted cash and investments - Construction	-	1,000	-	1,000
Investments, long-term	706,208	4,246,797	4,591,754	9,544,759
Total assets	<u>\$ 42,465,463</u>	<u>\$ 22,470,941</u>	<u>\$ 19,189,591</u>	<u>\$ 84,125,995</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 1,652,832	\$ 102,123	\$ 873,949	\$ 2,628,904
Accrued liabilities	1,240,708	-	79,522	1,320,230
Deposits/refunds payable	1,775,900	-	393,423	2,169,323
Due to other governments	176	-	1,426	1,602
Due to other funds	1,004,069	14,261	388,062	1,406,392
Debt obligations	-	-	153,442	153,442
Deferred revenue	1,077,757	-	17,557	1,095,314
Claims payable	-	-	18,507	18,507
Advance from other funds	-	605,642	-	605,642
Total liabilities	<u>6,751,442</u>	<u>722,026</u>	<u>1,925,888</u>	<u>9,399,356</u>
Fund balances:				
Reserve for prepaid items	1,004,069	-	8,240	1,012,309
Reserve for encumbrances	1,777,247	2,853,940	5,385,276	10,016,463
Reserve for debt service	-	-	110,036	110,036
Reserve for inventory	210,927	11,640,357	-	11,851,284
Reserve for noncurrent collection of advances to other funds	867,142	-	-	867,142
Unreserved, designated for budgeted appropriations	4,198,492	7,156,240	8,939,397	20,294,129
Unreserved, reported in:				
General fund	27,656,144	-	-	27,656,144
Special revenue funds	-	-	2,820,754	2,820,754
Capital projects fund	-	98,378	-	98,378
Total fund balances	<u>35,714,021</u>	<u>21,748,915</u>	<u>17,263,703</u>	<u>74,726,639</u>
Total liabilities and fund balances	<u>\$ 42,465,463</u>	<u>\$ 22,470,941</u>	<u>\$ 19,189,591</u>	<u>\$ 84,125,995</u>

The notes to the financial statements are an integral part of this statement.

City of Dearborn, Michigan

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets June 30, 2007

Total fund balance for governmental funds \$ 74,726,639

Amounts reported for governmental activities in the
statement of net assets are different because:

1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		
Cost of assets, not depreciated	\$ 6,211,417	
Cost of assets, depreciated	209,741,305	
Accumulated depreciation	<u>(85,872,144)</u>	
Total adjustment due to capital assets		130,080,578
2. Some receivables are expected to be collected over several years and are not available to pay for current year expenditures		1,095,314
3. Other assets used in governmental activities are financial resources and therefore are not reported in the governmental funds - inventory		231,626
4. Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds		
Accrued interest payable	(105,495)	
Noncurrent liabilities, due in one year	(3,225,000)	
Noncurrent liabilities, due in more than one year	<u>(23,716,672)</u>	
Total adjustment due to long-term liabilities		(27,047,167)
5. Internal service funds are included as part of governmental activities		<u>19,112,378</u>
Net assets of governmental activities		<u>\$ 198,199,368</u>

The notes to the financial statements are an integral part of this statement.

City of Dearborn, Michigan

Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds Year Ended June 30, 2007

	General	Capital Projects	Other Governmental Funds (See page 97)	Total Governmental Funds
Revenues				
Taxes, assessments and penalties on taxes	\$ 71,594,296	\$ -	\$ 2,362,115	\$ 73,956,411
Licenses and permits	2,354,012	-	-	2,354,012
Intergovernmental revenues:				
State sources	10,267,911	-	6,751,640	17,019,551
Federal sources	297,192	-	2,722,770	3,019,962
Other sources	120,626	-	-	120,626
Charges for services	9,410,924	-	352,719	9,763,643
Fines and forfeits	3,908,726	-	683,154	4,591,880
Rents and royalties	3,090,489	-	2,126,275	5,216,764
Miscellaneous revenue	562,463	319,122	369,754	1,251,339
Private source contributions	-	11,914	147,289	159,203
Investment income	2,955,302	482,194	1,004,787	4,442,283
Total revenues	<u>104,561,941</u>	<u>813,230</u>	<u>16,520,503</u>	<u>121,895,674</u>
Expenditures				
Current:				
General government	16,531,570	-	61,101	16,592,671
Public safety	47,258,870	-	556,689	47,815,559
Public works	12,784,799	-	10,479,846	23,264,645
Health and welfare	1,010,716	-	6,309	1,017,025
Recreation and culture	13,557,211	-	2,433,847	15,991,058
Community improvement	835,605	-	1,109,283	1,944,888
Utilities	3,999,449	-	302,709	4,302,158
Capital outlay	865,790	2,704,526	246,250	3,816,566
Debt service:				
Principal	-	550,000	2,490,000	3,040,000
Interest and fiscal charges	-	243,383	999,197	1,242,580
Total expenditures	<u>96,844,010</u>	<u>3,497,909</u>	<u>18,685,231</u>	<u>119,027,150</u>
Revenues Over (Under) Expenditures	<u>7,717,931</u>	<u>(2,684,679)</u>	<u>(2,164,728)</u>	<u>2,868,524</u>
Other Financing Sources (Uses)				
Issuance of debt	-	-	9,840,000	9,840,000
Bond premium and other	-	-	285,831	285,831
Payment to refunded bond escrow agent	-	-	(10,125,831)	(10,125,831)
Transfers in	200,364	6,281,790	5,341,262	11,823,416
Transfers out	(8,541,903)	-	(5,141,397)	(13,683,300)
Total other financing sources (uses)	<u>(8,341,539)</u>	<u>6,281,790</u>	<u>199,865</u>	<u>(1,859,884)</u>
Net Change in Fund Balances	<u>(623,608)</u>	<u>3,597,111</u>	<u>(1,964,863)</u>	<u>1,008,640</u>
Fund Balances - Beginning of Year	<u>36,337,629</u>	<u>18,151,804</u>	<u>19,228,566</u>	<u>73,717,999</u>
Fund Balances - End of Year	<u>\$ 35,714,021</u>	<u>\$ 21,748,915</u>	<u>\$ 17,263,703</u>	<u>\$ 74,726,639</u>

The notes to the financial statements are an integral part of this statement.

City of Dearborn, Michigan

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities Year Ended June 30, 2007

Net change in fund balance - Total Governmental Funds \$ 1,008,640

Amounts reported for governmental activities in the statement
of activities are different because:

1. Governmental funds report capital outlays as expenditures.
However, in the statement of activities, the cost of those
assets is depreciated over their estimated useful lives
and recorded as depreciation expense. This is the amount
by which capital outlay exceeded depreciation expense. 3,319,812
 2. Revenues are recorded in the statement of activities when
the revenue is earned; they are not reported in the funds until
collected or collectable within 60 days of the year end. (112,694)
 3. Governmental funds report inventories as expenditures when
purchased; however in the statement of activities, the cost
of those assets is expensed when used. 47,726
 4. Repayment of bond principal is an expenditure in the governmental
funds, but the repayment reduces long-term liabilities in the
statement of net assets:
Bonds payable 3,040,000
Interest payable (55,452)
 5. Some expenses reported in the statement of activities do not
require the use of current financial resources and therefore are
not reported as expenditures in governmental funds:
Compensated absences (595,615)
 6. Internal service funds are included as part of governmental activities. 2,294,254
- Change in net assets of governmental activities \$ 8,946,671

The notes to the financial statements are an integral part of these statements.

City of Dearborn, Michigan

	Business-type Activities Enterprise Funds			
	Parking System Funds	Sewer	Water	Other Enterprise Funds (See page 110)
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,574,432	\$ 6,467,790	\$ 6,384,817	\$ 5,334,494
Accounts receivable (Net)	38,031	132,941	7,512,701	4,809
Property taxes receivable	-	25,745	-	-
Unbilled accounts receivable	-	1,431,730	943,614	-
Accrued interest receivable	13,230	242,064	40,611	56,231
Due from other governments	24,619	117,150	472,731	38,760
Due from other funds	14,261	525,383	-	-
Prepaid items	-	21,360	43,904	117,495
Inventories	-	-	388,089	57,829
Total current assets	<u>1,664,573</u>	<u>8,964,163</u>	<u>15,786,467</u>	<u>5,609,618</u>
Noncurrent assets:				
Restricted cash and investments:				
Construction and equipment	-	17,383,758	-	-
Debt service	89,225	5,899,117	-	156,370
Investments, long-term	574,807	10,104,111	-	3,357,801
Capital assets (Net)	<u>19,385,443</u>	<u>194,582,424</u>	<u>47,964,072</u>	<u>8,149,883</u>
Total noncurrent assets	<u>20,049,475</u>	<u>227,969,410</u>	<u>47,964,072</u>	<u>11,664,054</u>
Total assets	<u>21,714,048</u>	<u>236,933,573</u>	<u>63,750,539</u>	<u>17,273,672</u>
Liabilities				
Current liabilities:				
Accounts payable	18,855	2,982,256	1,772,494	107,005
Accrued interest payable	39,642	725,490	-	19,703
Accrued liabilities	1,719	17,008	35,336	45,221
Deposits/refunds payable	-	-	18,833	274,346
Due to other governments	-	182,071	-	4,900
Due to other funds	-	21,360	569,287	21,909
Deferred revenue	-	-	-	34,747
Liabilities payable from restricted assets	-	7,276,307	-	-
Current portion of long-term debt	<u>600,000</u>	<u>5,330,000</u>	<u>-</u>	<u>205,000</u>
Total current liabilities	<u>660,216</u>	<u>16,534,492</u>	<u>2,395,950</u>	<u>712,831</u>
Noncurrent liabilities:				
Long-term debt, net of current portion	9,727,654	104,126,803	-	2,111,600
Other liabilities	-	4,084,562	137,789	168,685
Advance from other funds	-	-	-	261,500
Claims payable	-	-	-	-
Total noncurrent liabilities	<u>9,727,654</u>	<u>108,211,365</u>	<u>137,789</u>	<u>2,541,785</u>
Total liabilities	<u>10,387,870</u>	<u>124,745,857</u>	<u>2,533,739</u>	<u>3,254,616</u>
Net Assets				
Invested in capital assets, net of debt	9,057,789	85,125,621	47,964,072	5,571,783
Restricted for:				
Construction	-	17,383,758	-	-
Debt service	89,225	5,899,117	-	156,370
Unrestricted	<u>2,179,164</u>	<u>3,779,220</u>	<u>13,252,728</u>	<u>8,290,903</u>
Total net assets	<u>\$ 11,326,178</u>	<u>\$ 112,187,716</u>	<u>\$ 61,216,800</u>	<u>\$ 14,019,056</u>

The notes to the financial statements are an integral part of these statements.

Statement of Net Assets
Proprietary Funds
June 30, 2007

Total	Governmental Activities - Internal Service Funds (See page 114)
\$ 19,761,533	\$ 12,352,858
7,688,482	11,158
25,745	-
2,375,344	-
352,136	98,548
653,260	-
539,644	-
182,759	982,013
445,918	21,947
<u>32,024,821</u>	<u>13,466,524</u>
17,383,758	-
6,144,712	43,881
14,036,719	3,232,818
<u>270,081,822</u>	<u>7,399,512</u>
<u>307,647,011</u>	<u>10,676,211</u>
<u>339,671,832</u>	<u>24,142,735</u>
4,880,610	184,393
784,835	1,381
99,284	-
293,179	-
186,971	689,919
612,556	-
34,747	-
7,276,307	-
6,135,000	505,000
<u>20,303,489</u>	<u>1,380,693</u>
115,966,057	-
4,391,036	-
261,500	-
-	3,649,664
<u>120,618,593</u>	<u>3,649,664</u>
<u>140,922,082</u>	<u>5,030,357</u>
147,719,265	7,399,512
17,383,758	-
6,144,712	-
27,502,015	11,712,866
<u>\$ 198,749,750</u>	<u>\$ 19,112,378</u>

The notes to the financial statements are an integral part of these statements.

City of Dearborn, Michigan

	Business-type Activities Enterprise Funds			
	Parking System Funds	Sewer	Water	Other Enterprise Funds (See page 111)
Operating Revenues				
Intergovernmental revenue:				
County	\$ -	\$ 10,950	\$ -	\$ -
Taxes, assessments and penalties on taxes	-	3,540,409	-	-
Sales	-	15,401,815	9,745,182	626,147
Charges for services	823,321	4,301,205	3,801,114	1,352,084
Fines	277,992	-	-	-
Penalties	2,600	525,383	525,383	-
Rents and royalties	-	23,754	-	2,655,940
Insurance premiums	-	-	-	-
Miscellaneous	5,169	21,503	21,938	133,466
Total operating revenues	<u>1,109,082</u>	<u>23,825,019</u>	<u>14,093,617</u>	<u>4,767,637</u>
Operating Expenses				
Personnel services	128,520	1,380,359	2,915,445	2,206,847
Contractual services	628,117	1,783,308	1,199,926	333,531
Insurance and bonds	13,276	6,500	8,000	164,306
Insurance benefits	-	-	-	-
Claims and judgments	-	-	-	-
Utilities	136,801	234,746	6,677	600,824
Repairs and maintenance	123,413	310,650	15,333	354,005
Supplies	87,220	188,064	462,457	166,369
Cost of sales	-	11,981,159	5,750,287	179,180
Cost of rentals	-	9,338	-	5,453
Taxes	-	-	-	175,416
Depreciation	295,210	879,373	1,107,080	551,803
Other	3,571	40,527	52,889	64,826
Total operating expenses	<u>1,416,128</u>	<u>16,814,024</u>	<u>11,518,094</u>	<u>4,802,560</u>
Operating Income (Loss)	(307,046)	7,010,995	2,575,523	(34,923)
Nonoperating Revenues (Expenses)				
Investment income	122,395	1,954,038	527,578	426,732
Gain/loss on disposal of assets	-	-	7,562	-
Other interest	(517,963)	(149,781)	-	(149,386)
Total nonoperating revenues (expenses)	<u>(395,568)</u>	<u>1,804,257</u>	<u>535,140</u>	<u>277,346</u>
Income (Loss) before Capital Contributions & Transfers	(702,614)	8,815,252	3,110,663	242,423
Capital contributed from grants, developers & other	526,516	3,194,383	-	-
Income (Loss) before Transfers	(176,098)	12,009,635	3,110,663	242,423
Transfers				
Transfers in	448,748	-	972,321	135,000
Transfers out	-	(11,068)	(11,068)	-
Net transfers	<u>448,748</u>	<u>(11,068)</u>	<u>961,253</u>	<u>135,000</u>
Net Income (Loss)	272,650	11,998,567	4,071,916	377,423
Net Assets - Beginning of Year	11,053,528	100,189,149	57,144,884	13,641,633
Net Assets - End of Year	<u>\$11,326,178</u>	<u>\$112,187,716</u>	<u>\$61,216,800</u>	<u>\$14,019,056</u>

The notes to the financial statements are an integral part of these statements.

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2007

Total	Governmental Activities - Internal Service Funds (See page 115)
\$ 10,950	\$ -
3,540,409	-
25,773,144	-
10,277,724	-
277,992	-
1,053,366	-
2,679,694	2,569,090
-	2,477,136
182,076	1,606,759
<u>43,795,355</u>	<u>6,652,985</u>
6,631,171	-
3,944,882	1,228,629
192,082	1,057,000
-	59,605
-	415,423
979,048	-
803,401	-
904,110	-
17,910,626	18,928
14,791	-
175,416	-
2,833,466	1,549,727
161,813	71,025
<u>34,550,806</u>	<u>4,400,337</u>
9,244,549	2,252,648
3,030,743	811,397
7,562	(42,230)
<u>(817,130)</u>	<u>(36,639)</u>
<u>2,221,175</u>	<u>732,528</u>
11,465,724	2,985,176
<u>3,720,899</u>	<u>-</u>
15,186,623	2,985,176
1,556,069	500,000
<u>(22,136)</u>	<u>(1,190,922)</u>
<u>1,533,933</u>	<u>(690,922)</u>
16,720,556	2,294,254
182,029,194	16,818,124
<u>\$ 198,749,750</u>	<u>\$ 19,112,378</u>

The notes to the financial statements are an integral part of these statements.

City of Dearborn, Michigan

	Parking System Funds
Cash Flows from Operating Activities	
Receipts from customers	\$ 1,315,667
Payments to suppliers	(1,073,294)
Payments to employees	(128,520)
Internal activity	(161,717)
Claims paid	-
Other receipts (payments)	-
Net cash provided (used) by operating activities	(47,864)
Cash Flows from Noncapital Financing Activities	
Advance from (to) other funds	-
Transfers in	448,748
Transfers out	-
Net cash provided (used) by noncapital financing activities	448,748
Cash Flows from Capital and Related Financing Activities	
Grants and contributions received	526,516
Principal received on debt	-
Prepaid interest on debt	-
Principal paid on debt	(560,221)
Acquisition and construction of capital assets	(193,236)
Interest paid on debt	(519,628)
Net cash provided (used) by capital and related financing activities	(746,569)
Cash Flows from Investing Activities	
Net sale (purchase) of investments	164,387
Investment income	130,083
Net cash provided (used) by investing activities	294,470
Net Increase (Decrease) in Cash and Cash Equivalents	(51,215)
Cash and Cash Equivalents - Beginning of Year	1,714,872
Cash and Cash Equivalents - End of Year	<u>\$ 1,663,657</u>
Cash and Cash Equivalents - Unrestricted	\$ 1,574,432
Cash and Cash Equivalents - Restricted	89,225
Cash and Cash Equivalents - End of Year	<u>\$ 1,663,657</u>

The notes to the financial statements are an integral part of these statements.

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2007

Business-type Activities Enterprise Funds		Other Enterprise Funds (See page 112)	Total	Governmental Activities - Internal Service Funds (See page 119)
Sewer	Water			
\$ 23,820,366	\$ 13,005,782	\$ 4,619,610	\$ 42,761,425	\$ 5,070,375
(14,093,435)	(7,087,836)	(2,200,896)	(24,455,461)	(2,490,438)
2,678,568	(2,905,652)	(2,169,071)	(2,524,675)	-
(476,142)	569,287	20,551	(48,021)	2,400
-	-	-	-	(3,662,505)
15,680	(30,951)	181,700	166,429	1,535,734
<u>11,945,037</u>	<u>3,550,630</u>	<u>451,894</u>	<u>15,899,697</u>	<u>455,566</u>
-	-	(38,167)	(38,167)	-
-	972,321	135,000	1,556,069	500,000
(11,068)	(11,068)	-	(22,136)	(174,049)
<u>(11,068)</u>	<u>961,253</u>	<u>96,833</u>	<u>1,495,766</u>	<u>325,951</u>
3,194,383	-	-	3,720,899	12,668
23,115,007	-	-	23,115,007	(500,000)
-	-	-	-	(38,007)
8,270,162	-	(178,200)	7,531,741	-
(44,597,368)	(2,407,769)	(38,676)	(47,237,049)	(2,666,737)
(24,785)	-	(151,093)	(695,506)	-
<u>(10,042,601)</u>	<u>(2,407,769)</u>	<u>(367,969)</u>	<u>(13,564,908)</u>	<u>(3,192,076)</u>
(1,227,383)	-	(345,840)	(1,408,836)	296,761
1,972,603	523,350	449,950	3,075,986	878,573
<u>745,220</u>	<u>523,350</u>	<u>104,110</u>	<u>1,667,150</u>	<u>1,175,334</u>
2,636,588	2,627,464	284,868	5,497,705	(1,235,225)
27,114,077	3,757,353	5,205,996	37,792,298	13,631,964
<u>\$ 29,750,665</u>	<u>\$ 6,384,817</u>	<u>\$ 5,490,864</u>	<u>\$ 43,290,003</u>	<u>\$ 12,396,739</u>
\$ 6,467,790	\$ 6,384,817	\$ 5,334,494	\$ 19,761,533	\$ 12,352,858
23,282,875	-	156,370	23,528,470	43,881
<u>\$ 29,750,665</u>	<u>\$ 6,384,817</u>	<u>\$ 5,490,864</u>	<u>\$ 43,290,003</u>	<u>\$ 12,396,739</u>

The notes to the financial statements are an integral part of these statements.

City of Dearborn, Michigan

	Parking System Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (307,047)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	295,210
Change in assets and liabilities:	
Accounts receivable	29,919
Due from other funds	-
Due from component units	(175,213)
Due from other governments	351,879
Prepaid items	-
Inventories	-
Accounts payable	(81,046)
Accrued liabilities	151
Customer deposits	-
Accrued vacation and sick leave	-
Due to other funds	(161,717)
Due to other governments	-
Claims payable	-
Deferred revenue	-
Net cash provided (used) by operating activities	<u>\$ (47,864)</u>

There was no noncash investing, capital or financing activity during the year.

The notes to the financial statements are an integral part of these statements.

**Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2007**

Business-type Activities Enterprise Funds		Other Enterprise Funds (See page 113)	Total	Governmental Activities - Internal Service Funds (See page 119)
Sewer	Water			
\$ 7,010,995	\$ 2,575,523	\$ (34,923)	\$ 9,244,548	\$ 2,252,649
879,373	1,107,080	551,803	2,833,466	1,549,727
88,339	(975,761)	29,167	(828,336)	24,149
(497,502)	-	-	(497,502)	2,400
-	-	-	(175,213)	-
(36,785)	(94,136)	(38,760)	182,198	-
(2,897)	9,633	(30,608)	(23,872)	(40,443)
-	45,168	2,759	47,927	203,435
665,798	318,273	(51,119)	851,906	(955,622)
(2,766)	(18,230)	(29,109)	(49,954)	(23,566)
-	4,000	(15,756)	(11,756)	-
4,058,927	9,793	37,776	4,106,496	-
21,360	569,287	20,551	449,481	-
(239,805)	-	(675)	(240,480)	689,919
-	-	-	-	(3,247,082)
-	-	10,788	10,788	-
<u>\$ 11,945,037</u>	<u>\$ 3,550,630</u>	<u>\$ 451,894</u>	<u>\$ 15,899,697</u>	<u>\$ 455,566</u>

The notes to the financial statements are an integral part of these statements.

City of Dearborn, Michigan

Statement of Net Assets Fiduciary Funds June 30, 2007

	Pension & Other Employee Benefits	Agency Funds
Assets		
Current assets:		
Cash and cash equivalents	\$ 10,923,852	\$ 7,111,737
Accounts Receivable (Net)	335,590	273,440
Accrued interest receivable	1,236,289	1,182
Due from component units	-	781
Due from other funds	-	1,099,482
Due from other governments	-	589,754
Total current assets	<u>12,495,731</u>	<u>9,076,376</u>
Noncurrent assets - Investments:		
Corporate bonds (long-term)	196,177,277	-
Common stock	65,679,096	-
Collateral pledged on securities loaned	23,814,045	-
Real estate properties	22,209,634	-
Commingled and mutual funds	178,725,677	-
Total noncurrent assets	<u>486,605,729</u>	<u>-</u>
Total assets	<u>499,101,460</u>	<u>\$ 9,076,376</u>
Liabilities		
Accounts payable	2,215,588	\$ 1,134,494
Deposits/refunds payable	-	7,072,238
Due to other governments	-	736,200
Deferred revenue	36,983	-
Amounts due to broker under securities lending agreement	23,814,045	-
Other liabilities	-	133,444
Total liabilities	<u>26,066,616</u>	<u>\$ 9,076,376</u>
Net Assets		
Held in trust for pension benefits and other purposes	<u>\$ 473,034,844</u>	

The notes to the financial statements are an integral part of these statements.

City of Dearborn, Michigan

Statement of Changes in Fiduciary Net Assets Fiduciary Funds Year Ended June 30, 2007

	Pension & Other Employee Benefits
Additions	
Investment income:	
Interest and dividends	\$ 12,184,108
Net increase in value of investments	51,977,949
Net investment income	<u>64,162,057</u>
Contributions:	
Employer	18,712,070
Employee	1,086,879
Total contributions	<u>19,798,949</u>
Other income	<u>1,332,765</u>
Total additions	<u>85,293,771</u>
Deductions	
Benefit payments	31,298,219
Refunds of contributions	696,150
Administrative expenses	1,560,296
Total deductions	<u>33,554,665</u>
Change in Net Assets	51,739,106
Net Assets - Beginning of Year	421,295,738
Net Assets - End of Year	<u><u>\$ 473,034,844</u></u>

The notes to the financial statements are an integral part of these statements.

City of Dearborn, Michigan

	West Dearborn Downtown Development Authority	East Dearborn Downtown Development Authority	Brownfield Redevelopment Authority
Assets			
Cash and cash equivalents	\$ 1,169,748	\$ 2,848,601	\$ 2,411
Property taxes receivable	9,827	3,775	-
Accrued interest receivable	7,441	18,120	15
Prepaid items	-	781	-
Total assets	<u>1,187,016</u>	<u>2,871,277</u>	<u>2,426</u>
Liabilities			
Accounts payable	150	13,532	-
Due to primary government	-	781	14,877
Accrued liabilities	-	1,036	-
Noncurrent liabilities:			
Due in more than one year	-	7,654	-
Total liabilities	<u>150</u>	<u>23,003</u>	<u>14,877</u>
Net Assets - Unrestricted	<u>\$ 1,186,866</u>	<u>\$ 2,848,274</u>	<u>\$ (12,451)</u>

The notes to the financial statements are an integral part of these statements.

Statement of Net Assets
Component Units
June 30, 2007

Economic Development Corporation	Total
\$ 457,569	\$ 4,478,329
-	13,602
1,872	27,448
-	781
459,441	4,520,160
-	13,682
-	15,658
-	1,036
-	7,654
-	38,030
\$ 459,441	\$ 4,482,130

The notes to the financial statements are an integral part of these statements.

City of Dearborn, Michigan

		Program Revenues	
	Expenses	Charges for Services	Operating Grants and Contributions
West Dearborn Development Authority - Community improvement	\$ 730,123	\$ -	\$ -
East Dearborn Development Authority - Community improvement	398,784	-	-
Brownfield Redevelopment Authority - Community improvement	79,980	-	-
Economic Development Corporation - Community improvement	50,610	-	-
Total component units	<u>\$ 1,259,497</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Taxes
Investment earnings
Miscellaneous
Total general revenues
Change in net assets
Net assets - beginning
Net assets - ending

Statement of Activities
Component Units
Year Ended June 30, 2007

Net (Expense) Revenue and Changes in Net Assets				
West Dearborn Downtown Development Authority	East Dearborn Downtown Development Authority	Brownfield Redevelopment Authority	Economic Development Corporation	Total
\$ (730,123)	\$ -	\$ -	\$ -	\$ (730,123)
-	(398,784)	-	-	(398,784)
-	-	(79,980)	-	(79,980)
-	-	-	(50,610)	(50,610)
<u>(730,123)</u>	<u>(398,784)</u>	<u>(79,980)</u>	<u>(50,610)</u>	<u>(1,259,497)</u>
720,161	568,790	64,367	-	1,353,318
64,784	136,659	1,301	23,815	226,559
-	2,685	-	1,000	3,685
<u>784,945</u>	<u>708,134</u>	<u>65,668</u>	<u>24,815</u>	<u>1,583,562</u>
54,822	309,350	(14,312)	(25,795)	324,065
1,132,044	2,538,924	1,861	485,236	4,158,065
<u>\$ 1,186,866</u>	<u>\$ 2,848,274</u>	<u>\$ (12,451)</u>	<u>\$ 459,441</u>	<u>\$ 4,482,130</u>

The notes to the financial statements are an integral part of these statements.

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Note 1 – Summary of Significant Accounting Policies

The City of Dearborn, Michigan (the City) was incorporated in 1929 under Michigan law as a home rule city. The City operates under a strong mayor, weak council form of government. The most recent charter was adopted November 3, 1979 and was effective July 1, 1980.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. Pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989 are not applied in the preparation of the financial statement of the business-type activities and enterprise funds in accordance with GASB Statement #20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting." Below is a summary of the City's more significant policies.

A. Reporting Entity

The City is governed by an elected seven-member Council. As required by generally accepted accounting principles, these financial statements present the City of Dearborn and its component units.

Blended Component Units

The component unit discussed below is included in the City's reporting entity because of the significance of its operating or financial relationship with the City.

City of Dearborn Municipal Building Authority

This authority was formed for purposes of constructing public facilities financed through issuance of Building Authority bonds as provided by PA 31 of 1948 and it provides services exclusively for the City of Dearborn. The Building Authority Board is appointed by the Mayor. Issuance of bonds and related lease contracts are subject to approval of the City Council (see Note 4).

Building Authority operations consist of the issuance of debt, construction or acquisition of facilities financed by such debt, and the repayment of such debt from lease proceeds. All of this is accounted for in the appropriate City funds. The financial statements of the Building Authority are consolidated with the financial statements of the City in a manner dependent on the type of facilities acquired. The City is involved in the purchase by lease contract of improvements to the Robert Herndon Dearborn Hills Municipal Golf Course, the Ice Arena, Powerhouse and Ford Woods Park redevelopment from the Building Authority. The golf course operations are accounted for within the Enterprise Funds (Golf Course Fund). Improvements to the Ice Arena, Powerhouse and Ford Woods Park redevelopment are accounted for within the General Capital Improvement Fund.

Note 1 – Summary of Significant Accounting Policies (Continued)

Discretely Presented Units

The following component units are discretely presented in the combined financial statements. They are reported in a separate column to emphasize that they are legally separate from the City.

Brownfield Redevelopment Authority (BRA)

The Brownfield Redevelopment Authority was created to account for the redevelopment of environmentally contaminated and other under-utilized sites within the City. The Authority's governing body consists of the Mayor and six (6) individuals appointed by the Mayor. The City Council must approve the BRA Budget.

The Economic Development Corporation of Dearborn (EDC)

The EDC's purpose is to encourage economic development, primarily through the issuance of tax-exempt financing. Although the City has no involvement in the determination of the EDC budget nor any obligation for the EDC's outstanding debt, City Council must approve designation of project areas and must approve each project plan.

East Dearborn Downtown Development Authority (EDDA)

The EDDA was formed to encourage development within the City's eastern central business district. The City has no obligation for the EDDA's outstanding debt. The City Council must approve the EDDA's budget.

West Dearborn Downtown Development Authority (WDDA)

The WDDA was formed to encourage development within the City's western central business district. The City has no obligation for the WDDA's outstanding debt. The City Council must approve the WDDA's budget.

Financial statements for the discretely presented component units are available during office hours at the City of Dearborn, Economic and Community Development Department, 13615 Michigan Avenue, Dearborn, MI 48126.

B. Basic Financial Statements

The basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's public safety, public works, recreation and general administrative services are classified as governmental activities. The City's water and sewer services, parking systems, housing department and the municipal golf course are classified as business-type activities.

Note 1 – Summary of Significant Accounting Policies (Continued)

Government-wide Financial Statements

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts—invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities (public safety, public works, etc.). The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (public safety, public works, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc).

The City does not allocate indirect costs. An administrative fee is charged by the General Fund to the other operating funds to recover the direct costs of General Fund services provided (finance, human resources, purchasing, legal, management information systems, etc.). The effect of this fee and all other internal activity has been eliminated from the government-wide financial statements.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

Basic Financial Statements—Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

Note 1 – Summary of Significant Accounting Policies (Continued)

The following fund types are used by the City:

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.

Capital Projects Fund – The City has one capital project fund which is a major fund. The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of proprietary funds relate to charges to customers for sales and service. The water and sewer funds also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Note 1 – Summary of Significant Accounting Policies (Continued)

The following is a description of the proprietary funds of the City:

Enterprise Funds – Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. The government reports the following major enterprise funds:

Parking Systems Funds – These funds account for construction and operation of two separate parking systems.

Water Fund – This fund accounts for operation of the City's water supply system. Purified water is purchased from the Detroit Water and Sewage Department.

Sewer Fund – This fund accounts for operation of the City's sewerage system. Sewage treatment is purchased from the Detroit Water and Sewage Department.

Internal Service Funds – Internal Service Funds are used to account for the financing of goods or services provided by an activity to other departments, funds or component units of the City on a cost-reimbursement basis. Internal Service Funds include equipment replacement, workers' compensation, employee insurance and fleet and general liability insurance.

Fiduciary Funds

Fiduciary Funds are used to report assets held in an agency capacity for others and therefore are not available to support City programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds. Fiduciary Pension Funds include the (closed) general employees retirement system, the (open) revised police and fire retirement system, the (closed) police and fire retirement system, retiree death benefit and post retirement healthcare. The Fiduciary Agency Funds include agency, imprest payroll and district court.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASB 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements.

The City's internal service funds are presented in the proprietary funds financial statements. Because the principal users of the internal services are the City's governmental activities, the financial statements of the internal service funds are consolidated into the governmental column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity (public safety, public works, etc.).

Note 1 – Summary of Significant Accounting Policies (Continued)

The City's fiduciary funds are presented in the fiduciary fund financial statements by type (pension and other employee benefits and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

C. Measurement Focus and Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (within 60 days of the next fiscal year). Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, special assessments, licenses, interest revenue and charges for services. Sales taxes collected and held by the state at year-end on behalf of the government also are recognized as revenue. Fines, permits and parking meter revenues are not susceptible to accrual because generally they are not measurable until received in cash.

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned. Other revenue is recorded when received.

Properties are assessed as of December 31 and the related property taxes become a lien on December 31 and are billed in two separate billings. The summer billing is billed on July 1 of the following year and are due in four equal installments due August 20 and every two months thereafter with the final installment due February 20. The winter billing is billed on December 1 of the following year and is due in full on February 14. Both billings become delinquent if unpaid by March 1 of the following year. Real property taxes are returned to the Wayne County

Note 1 – Summary of Significant Accounting Policies (Continued)

Treasurer for collection. The City Treasurer is responsible for the collection of personal property taxes.

The City reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D. Budgetary Accounting and Accountability

The City's budget is prepared in compliance with the uniform budgeting provisions of Michigan law. Budgets are adopted for all governmental and proprietary funds.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to April 15, the Mayor delivers the proposed budget to the City Council for the fiscal year commencing the following July 1. The budget includes identification of unusual circumstances, a comparative analysis covering the immediate past and the current budgets, together with the proposed budget, and a proposed general appropriations resolution.
2. The proposed budgets are reviewed through a series of meetings with the City Council, Mayor, Finance department, department directors, etc.
3. A public hearing is conducted to obtain taxpayers comments.
4. No later than June 13, the City Council shall pass a general appropriations resolution providing the authority to make expenditures and incur obligations on behalf of the city for the ensuing fiscal year.

Appropriations in the General Fund are controlled at the department level. Expenditures for all other governmental funds are controlled at the fund level. While the legislative budget is adopted at summary levels, administrative control is maintained at detail levels. Management may amend the budget at the detail level within summary constraints. During the fiscal year, it was necessary to make budget amendments.

The City maintains budgetary control through the use of a full encumbrance system. For budgetary purposes, appropriations lapse at fiscal year-end, except for the portion related to encumbered amounts and those amounts approved for carry forward by the City Council.

Note 1 – Summary of Significant Accounting Policies (Continued)

Budget to actual statements have been prepared in accordance with generally accepted accounting principles with the following exceptions:

- Encumbrances are included as expenditures.
- Project life re-appropriations to the following fiscal year are reported as appropriated reserve carry-forward.

A comparison of the actual results of operations to the budgeted amounts (at the level of control adopted by the City Council) for the General Fund is presented as Required Supplementary Information.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is employed as an extension of the formal budgetary control in the General, Special Revenue and Capital Projects Funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitment will be honored during the subsequent year.

The negative unreserved fund balance in the community development fund is a result of open encumbrances. Grant revenues will be recognized in future periods when these encumbrances are expended.

E. Financial Statement Amounts

Cash and Investments

The City of Dearborn's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value, based on quoted market prices. Investments and certificates of deposit are purchased with pooled cash and are generally held to maturity. Cash is pooled in two pools based on investment requirements, one for long term and one for short term. Interest is allocated on the basis of time-and-dollar-weighted participation in each pool.

The purchase and sale of proprietary fund investments have been netted for cash flow purposes as the nature of the investments is highly liquid because there is an active market readily available.

Note 1 – Summary of Significant Accounting Policies (Continued)**Accounts Receivable**

Receivables as of June 30, 2007 for the City's individual governmental funds and the nonmajor governmental funds in the aggregate are as follows:

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:				
Intergovernmental	\$ 4,813,149	\$ 14,877	\$ 1,393,652	\$ 6,221,678
Accounts	<u>2,531,236</u>	<u>4,000</u>	<u>258,164</u>	<u>2,793,400</u>
Net receivables	<u>\$ 7,344,385</u>	<u>\$ 18,877</u>	<u>\$ 1,651,816</u>	<u>\$ 9,015,078</u>

Revenues are reported net of uncollectible amounts. Total uncollectible amounts related to revenue of the current period are as follows:

Uncollectibles related to property taxes	\$ 1,055,591
Uncollectibles related to ambulance billings	<u>265,000</u>
Total uncollectibles for the current fiscal year	<u>\$ 1,320,591</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>
Deferred revenue:	
Property taxes	\$ 593,791
SMART	496,021
Other	<u>5,502</u>
Total deferred revenue	<u>\$ 1,095,314</u>

The unbilled accounts receivable in the Enterprise Funds were for unbilled consumption of water and sewer as of June 30, 2007.

Note 1 – Summary of Significant Accounting Policies (Continued)

Inventories

Inventories are recorded at the lower of cost or market, cost being the weighted average method with the exception of the following: (1) Enterprise Funds' inventories, which are recorded on the first-in, first-out basis; and (2) Capital Projects Fund inventories, which are recorded at actual cost. The Capital Projects Fund has approximately \$11.6 million invested in land inventory at June 30, 2007.

Restricted Assets

The revenue bonds of the Enterprise and Internal Service Funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, equipment purchases and a bond reserve. Also, the unspent bond proceeds of the Capital Projects Funds require amounts to be set aside for construction. These amounts have been classified as restricted assets.

Capital Assets

Capital assets purchased or acquired with an original cost of \$2,500 or more and a useful life of greater than one year are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all qualifying assets is provided on the straight-line basis over the assets' estimated useful lives over the following useful lives:

• Equipment	5-15 years
• Land improvements	15 years
• Infrastructure assets (Roads, bridges and sidewalks)	15-40 years
• Buildings and improvements	25-50 years
• Water system	75 years
• Sewer system	75 years

The City has a collection of art work presented for public exhibition and education that is being preserved for future generations. The City has an internal policy stating that the proceeds for the sale of these assets would be used to acquire other items for the collection. Therefore, the collection is not capitalized or depreciated as part of capital assets.

Prepays

Prepays are payments made in the current fiscal year for services in the next fiscal year. The July medical and dental premium payments were made in June.

Note 1 – Summary of Significant Accounting Policies (Continued)

Deferred Revenue

Deferred revenue represents monies that do not yet meet the criteria for revenue recognition. Unearned amounts are always reported as deferred revenue. In governmental funds, earned amounts are also reported as deferred revenue until they are available to liquidate liabilities of the current period.

Compensated Absences

The City accrues vested or accumulated sick, vacation and paid time off (PTO) leave when earned by the employee. The non-current portion (that is the amount not expected to be liquidated with expendable available financial resources) for governmental funds is maintained separately and represents a reconciling item between fund and government-wide presentations.

Property Taxes

Properties are assessed as of December 31 and the related property taxes become a lien on December 31 and are billed in two separate billings, July 1 and December 1 of the following year. Taxable valuations are established annually by the City Assessor and are based on assessed valuations (established at 50 percent of true cash value), with the annual growth of each property's taxable value limited by inflation. Real and personal property in the City subject to the 2006 levy that financed operations for the fiscal year ended June 30, 2007 had a taxable value of \$4,312,962,629. The City millage for the fiscal year ended June 30, 2007 was 16.05 mills, consisting of 13.6275 mills operating, 1.1225 mills for garbage and rubbish and 1.30 mills for debt service. The City was legally empowered, by Section 13.2 of the City Charter and P.A. 298 of 1917, as amended, to levy up to 18.00 mills for fiscal year ended June 30, 2007 before rollbacks required by Michigan law. The maximum potential millage for the fiscal year ended June 30, 2007 was 17.6529 mills after applicable rollbacks.

The July tax billing is payable without penalty in four equal installments due August 20, and every two months thereafter with the final installment due February 20. The December tax billing is due in full on February 14 of the following year. They become delinquent if unpaid by March 1. Real property taxes are returned to the Wayne County Treasurer for collection. The City Treasurer is responsible for collection of personal property taxes. The amounts of delinquent real property taxes become available to finance expenditures through operation of a County Tax Revolving Fund. Ordinarily, the City receives proceeds from the revolving fund within 60 days of fiscal year end. Delinquent personal property taxes and associated penalties not collected within 60 days of fiscal year end are recorded as deferred revenue.

Unrestricted Franchise Fees

Unrestricted franchise fees represent revenues generated from parties outside the City's citizenry (primarily the cable and cellular system operators) that are not restricted to any specific program.

Note 1 – Summary of Significant Accounting Policies (Continued)

Expenditures

Expenditures in governmental funds are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the period purchased.

Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Other accounting policies are disclosed in other notes to financial statements.

Note 2 –Deposits and Investments

Michigan Compiled Laws section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan; and investment pools of financial institutions. The City does not engage in reverse repurchase agreements or in repurchase agreements without a master repurchase agreement and delivery of collateral to a third-party custodian.

The pension trust fund is authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate, debt or equity of certain small businesses, certain state and local government obligations and certain other

Note 2 –Deposits and Investments (Continued)

specified investment vehicles. In addition, the City created a retiree healthcare trust fund under Public Act 149 of 1999 which allows the funds to be invested in the same investments noted in Public Act 314.

State statutes and the System's board policies permit the System to use investments of the plan to enter into securities lending transactions – loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. The System's securities custodians are agents in lending the plans' securities for cash collateral of at least 100 percent of market value of the loaned securities. Securities on loan at year end are presented as non-categorized in the balance sheet presentation of custodial credit risk. At year end, the System has no credit risk exposure to borrowers because the amounts the System owes the borrowers exceed the amounts the borrowers owe the System. Contracts with the lending agents require them to indemnify the System if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the System for income distributions by the securities' issuers while the securities are on loan.

The City has designated ten banks for the deposit of funds. The investment policy adopted by the City Council in accordance with Public Act 196 of 1997 authorized all investments permitted by PA 20. The City of Dearborn, Michigan's deposit and investment policies are in accordance with statutory authorities.

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, the City had \$84,620,079 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. At year end, the City did not have custodial credit risk.

Note 2 –Deposits and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy minimizes interest rate risk by structuring the portfolio to meet requirement and by investing funds in shorter-term securities, money market mutual funds or similar investment pools. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270 day maturity. The weighted average maturity is based on maturity date or contracted modified maturity date as applicable. At year end, the average maturities of investments are as follows:

<u>Primary Government Investment Types</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Federal Agency/Instrumentality	\$22,604,437	2.40 years
U.S. Government Obligations	18,199,283	1.35 years
Commercial Paper	1,987,141	0.10 years

<u>Fiduciary Investment Types</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Corporate Bonds	\$36,995,659	13.46 years
Federal Agency/Instrumentality	74,319,830	15.51 years
Private Placements	445,770	0.56 years
U.S. Government Obligations	14,686,387	9.79 years
Securities Lending Short-term Collateral Investment Pool	23,814,045	0.36 years

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations at the time of purchase. The City's investment policy limits investments to the safest types of securities. Financial institutions, broker/dealers, intermediaries and advisers need to be pre-qualified to do business with the City. The policy also states that the investment portfolio will be diversified to minimize potential losses on individual securities. At year end, the City owned commercial paper rated P3 that was purchased with a rating of P2. The paper will be held to maturity and the City will not invest in this security until the rating has improved. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Primary Government Investment Types</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Bank Investment Pool	\$6,715,698	A-1	S & P
Bank Investment Pool	3,797,309	AAA	S & P
Federal Agency/Instrumentality	10,967,733	AAA	S & P
Federal Agency/Instrumentality	11,534,129	N/R	

Note 2 –Deposits and Investments (Continued)

<u>Fiduciary Investment Types</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Bank Investment Pool	\$6,925,916	A-1	S & P
Bank Investment Pool	7,259,852	AAA	S & P
Securities Lending Short-term Collateral Investment Pool	23,814,045	N/R	
Corporate Bonds	11,016,374	AAA	S & P
Corporate Bonds	4,392,895	AA+	S & P
Corporate Bonds	2,320,251	AA	S & P
Corporate Bonds	1,547,535	AA-	S & P
Corporate Bonds	3,792,633	A+	S & P
Corporate Bonds	4,097,695	A	S & P
Corporate Bonds	3,791,214	A-	S & P
Corporate Bonds	889,102	BBB+	S & P
Corporate Bonds	4,716,167	BBB	S & P
Corporate Bonds	1,558,150	BBB-	S & P
Corporate Bonds	2,618,219	N/R	
Private placements	445,770	AAA	S & P
Federal Agency/Instrumentality	21,828,634	AAA	S & P
Federal Agency/Instrumentality	58,432,333	N/R	

Concentration of Credit Risk:

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City places no limit on the amount that may be invested in any one issuer. At June 30, 2007, the City had more than 5% of its investments in the following:

Governmental Funds

Federal Home Loan Mortgage	17.48%
Federal National Mortgage	15.81%
Federal Home Loan Bank	10.54%

Business-Type Funds

Federal Home Loan Mortgage	13.96%
Federal National Mortgage	12.63%
Federal Home Loan Bank	8.42%

Note 2 –Deposits and Investments (Continued)

General Fund

Federal Home Loan Mortgage	18.58%
Federal National Mortgage	16.81%
Federal Home Loan Bank	11.21%

Capital Projects Funds

Federal Home Loan Mortgage	18.58%
Federal National Mortgage	16.81%
Federal Home Loan Bank	11.21%

Parking System Funds

Federal Home Loan Mortgage	18.58%
Federal National Mortgage	16.81%
Federal Home Loan Bank	11.21%

Sewer Fund

Federal Home Loan Mortgage	12.73%
Federal National Mortgage	11.52%
Federal Home Loan Bank	7.68%

Aggregate Funds

Federal Home Loan Mortgage	15.67%
Federal National Mortgage	14.18%
Federal Home Loan Bank	9.45%

Fiduciary Funds

Federal Home Loan Mortgage	8.11%
Federal National Mortgage	5.67%

Note 2 –Deposits and Investments (Continued)

Component Units

The component units had bank deposits subject to custodial credit risk (uninsured and uncollateralized) of \$2,428,715. No investment securities were held by the counterparty (or the counterparty's trust department), but not in the component unit's name. U.S. Government Obligations totaling \$1,588,579 had a weighted average maturity in years of .17. The component units' securities included \$461,035 of bank investment pool with a rating of A-1 by Standard & Poors. The component units did not have a concentration of credit risk.

Note 3 – Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Assets not being depreciated:				
Land	\$ 3,616,664	\$ -	\$ (242,178)	\$ 3,374,486
Right of ways	37,818	-	-	37,818
Construction in progress	4,128,479	1,422,382	(2,751,748)	2,799,113
Total capital assets not being depreciated	7,782,961	1,422,382	(2,993,926)	6,211,417
Other capital assets:				
Buildings & improvements	112,576,516	2,438,618	(2,195,615)	112,819,519
Equipment	34,682,951	3,255,995	(2,082,486)	35,856,460
Infrastructure assets	61,634,879	6,829,959	-	68,464,838
Subtotal	208,894,346	12,524,572	(4,278,101)	217,140,817
Accumulated depreciation:				
Buildings & improvements	36,605,818	2,633,916	(2,126,714)	37,113,020
Equipment	24,217,950	2,596,881	(1,920,855)	24,893,976
Infrastructure assets	21,697,396	2,167,752	-	23,865,148
Subtotal	82,521,164	7,398,549	(4,047,569)	85,872,144
Net other capital assets	126,373,182	5,126,023	(230,532)	131,268,673
Net capital assets	\$ 134,156,143	\$ 6,548,405	\$ (3,224,458)	\$ 137,480,090

Note 3 – Capital Assets (Continued)

Depreciation was charged to functions as follows:

Governmental activities:

General government	\$ 381,996
Public safety	1,267,729
Public works	3,477,755
Health & welfare	8,856
Recreation & culture	2,256,071
Community improvement	6,142

Total governmental activities depreciation expense	<u>\$ 7,398,549</u>
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Business-type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Assets not being depreciated:				
Land	\$ 5,142,173	\$ -	\$ -	\$ 5,142,173
Construction in progress	142,931,545	47,275,738	(25,047,215)	165,160,068
Total capital assets not being depreciated	<u>148,073,718</u>	<u>47,275,738</u>	<u>(25,047,215)</u>	<u>170,302,241</u>
Other capital assets:				
Land improvements	5,078,559	15,253,591	-	20,332,150
Buildings	16,936,423	8,537,982	-	25,474,405
Equipment	3,492,537	1,216,953	(130,286)	4,579,204
Water system	74,454,300	-	-	74,454,300
Sewer system	50,416,385	-	-	50,416,385
Subtotal	<u>150,378,204</u>	<u>25,008,526</u>	<u>(130,286)</u>	<u>175,256,444</u>
Accumulated depreciation:				
Land improvements	2,887,479	462,756	-	3,350,235
Buildings	9,166,577	468,288	-	9,634,865
Equipment	2,292,423	332,358	(130,286)	2,494,495
Water system	34,493,165	983,261	(7,562)	35,468,864
Sewer system	23,941,601	586,803	-	24,528,404
Subtotal	<u>72,781,245</u>	<u>2,833,466</u>	<u>(137,848)</u>	<u>75,476,863</u>
Net other capital assets	<u>77,596,959</u>	<u>22,175,060</u>	<u>7,562</u>	<u>99,779,581</u>
Net capital assets	<u>\$ 225,670,677</u>	<u>\$ 69,450,798</u>	<u>\$ (25,039,653)</u>	<u>\$ 270,081,822</u>

Note 3 – Capital Assets (Continued)

Depreciation was charged to functions as follows:

Business-type activities:

Parking System	\$ 295,210
Housing	277,596
Golf Course	274,207
Sewer	879,373
Water	<u>1,107,080</u>

Total business-type activities depreciation expense	<u><u>\$ 2,833,466</u></u>
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Note 4 – Long-term Debt

Outstanding Debt

The following is a summary of the debt outstanding of the City as of June 30, 2007:

	Principal Outstanding	
	Governmental Activities	Business-type Activities
Municipal Building Authority General Obligation Limited Tax Bonds, 3.65% to 5.25%, dated March 18, 1998	\$ 4,741,283	\$ -
Civic Center Facility General Obligation Unlimited Tax Bonds, 4.2% to 6.2%, dated June 11, 1998	1,775,000	
2007 General Obligation Unlimited Tax Refunding Bonds, 3.5% to 4.0%, dated April 5, 2007	9,918,935	
2004 General Obligation Limited Tax Refunding Bonds, 2.00% to 4.00%, dated April 23, 2004	6,804,507	
2004 Capital Improvement General Obligation Limited Tax Bonds, Series A (Non-taxable), 2.75% to 4.55%, dated June 24, 2004	505,000	
2004 Capital Improvement General Obligation Limited Tax Bonds, Series A (Non-taxable), 2.75% to 4.55%, dated June 24, 2004		7,008,049
2004 Capital Improvement General Obligation Limited Tax Bonds, Series B (Taxable), 5.90% to 6.00%, dated June 24, 2004		867,580
2006 General Obligation Limited Tax Refunding Bonds, (Taxable), 5.5% to 5.8%, dated April 25, 2006		2,452,024
Sewage Disposal System Revenue Bonds, 2%, dated February 9, 1990		915,000
Sewage Disposal System Revenue Bonds, 2%, dated September 29, 1994		1,030,000
Sewage Disposal System Revenue Refunding Bonds, 2.0% to 4.0%, dated February 17, 2004		14,077,676
Sewage Disposal System Revenue Bonds, 2.25%, dated September 28, 1995		60,000
Sewage Disposal System Revenue Bonds, 2.5%, dated March 28, 2002		5,025,000

Note 4 – Long-term Debt (continued)

Outstanding Debt

The following is a summary of the debt outstanding of the City as of June 30, 2007:

	Principal Outstanding	
	Governmental Activities	Business-type Activities
2004 Sewage Disposal System General Obligation Unlimited Tax Bonds, 3.0% to 5.0%, dated October 1, 2004	\$ -	\$ 23,230,969
2004 Sewage Disposal System General Obligation Unlimited Tax Bonds, 2.125%, dated September 23, 2004		32,244,683
2006 Sewage Disposal System General Obligation Unlimited Tax Bonds, 1.625% dated September 12, 2005		30,064,086
2006 Sewage Disposal System General Obligation Unlimited Tax Bonds, 1.625%, dated June 22, 2006		2,809,390
Municipal Building Authority General Obligation Limited Tax Bonds, Obligation Limited Tax Bonds, 3.65% to 5.25%, dated March 18, 1998 (less \$111,957 for deferred charge on refunding)		2,316,600
Subtotal	23,744,725	122,101,057
Accumulated sick, vacation and PTO benefits	3,738,220	391,036
Total	\$ 27,482,945	\$ 122,492,093

Note 4 – Long-term Debt (Continued)

By statute, the City's general obligation debt is restricted to 10 percent of the equalized value of all property in the City. At June 30, 2007 the City's general obligation debt margin amounted to approximately \$422,000,000.

Changes in Long-term Debt

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2007:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds & notes payable - General obligation bonds	\$ 27,217,946	\$ 9,918,935	\$ (13,392,156)	\$ 23,744,725	\$ 3,530,000
Other liabilities - Compensated absences	3,710,002	177,338	(149,120)	3,738,220	236,273
Total governmental activities	<u>\$ 30,927,948</u>	<u>\$ 10,096,273</u>	<u>\$ (13,541,276)</u>	<u>\$ 27,482,945</u>	<u>\$ 3,766,273</u>

Business-type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds & notes payable - General obligation bonds	\$ 68,401,337	\$ 33,820,118	\$ (1,228,074)	\$ 100,993,381	\$ 4,130,000
Revenue bonds	23,052,972	-	(1,945,296)	21,107,676	2,005,000
Subtotal	91,454,309	33,820,118	(3,173,370)	122,101,057	6,135,000
Other liabilities - Compensated absences	284,541	106,495	-	391,036	-
Total business-type activities	<u>\$ 91,738,850</u>	<u>\$ 33,926,613</u>	<u>\$ (3,173,370)</u>	<u>\$ 122,492,093</u>	<u>\$ 6,135,000</u>

Compensated absences have historically been liquidated through the fund associated with the employees' function.

Note 4 – Long-term Debt (Continued)

Debt Service Requirements

The annual requirements to service all debt outstanding as of June 30, 2007 (excluding sick, vacation and PTO benefits), including both principal and interest, are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2008	\$ 3,542,364	\$ 982,467	\$ 6,078,270	\$ 3,488,508
2009	3,193,360	781,195	9,328,170	3,335,291
2010	3,298,567	663,525	9,528,070	3,127,189
2011	3,403,774	541,010	9,747,970	2,905,484
2012	3,508,995	411,965	9,867,870	2,675,740
2013-2017	6,797,665	-	50,587,054	9,333,071
2018-2022	-	-	12,577,480	4,271,190
2023-2027	-	-	5,223,265	2,878,375
2028-2032	-	-	6,223,265	1,627,256
2033-2034	-	-	2,939,644	218,150
Total	<u>\$ 23,744,725</u>	<u>\$ 3,380,162</u>	<u>\$ 122,101,057</u>	<u>\$ 33,860,255</u>

Description of Long-term Debt

Primary Government

On March 18, 1998, the City of Dearborn Municipal Building Authority issued \$11,975,000 of General Obligation Limited Tax Bonds. These 18-year bonds have interest rates that range from 3.65 percent to 5.25 percent. The City is obligated to pay interest commencing November 1, 1998 and semiannually thereafter. The first principal payment was due November 1, 1998 and will continue to be due annually November 1 through 2016. A total of \$8,500,000 of the bond proceeds was used to finance the cost of expansion and renovation of Adray Ice Arena, Ford Woods Park and the Cultural Center HVAC Powerhouse. The remaining \$3,475,000 is being used to refund \$3,140,000 of the \$3,653,100 outstanding City of Dearborn Municipal Building Authority Golf Course Limited Tax General Obligation Bonds. Those proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Golf Course Limited Tax General Obligation Bonds. As a result, at June 30, 2007, \$2,340,000 of bonds are considered to be defeased and the liability for the bonds have been removed from the Enterprise Funds balance sheet.

On June 11, 1998, the City of Dearborn issued \$23,860,000 of General Obligation Unlimited Tax Bonds to finance the expansion and renovation of the Civic Center. These 15-year bonds have interest rates that range from 4.2 percent to 6.2 percent. The City is obligated to pay interest commencing December 1, 1998 and semiannually thereafter. The first principal payment was due June 1, 1999 and will continue to be due annually June 1 through 2013.

On April 5, 2007, the City of Dearborn issued \$9,840,000 in General Obligation Unlimited Tax Bonds with interest rates that range from 3.5% to 4.0%. The proceeds from these bonds along with an additional contribution from the General Debt Service fund, were used to advance refund \$9,975,000 of general obligation unlimited tax bonds. The net proceeds of \$10,125,831 (net of underwriting fees, insurance and issuance costs) were used to purchase U.S. Certificates of Indebtedness – State and Local Government Securities (SLGS). Those securities were deposited into an irrevocable trust with an escrow agent and subsequently used to pay off the bonds on June 1, 2007. The advance refunding reduces total debt service payments over the next 12 years by approximately \$650,000 which represents an economic gain of approximately \$323,000.

On November 15, 1995, the City of Dearborn Municipal Building Authority issued \$12,000,000 of General Obligation Limited Tax Bonds to finance the cost of expansion and renovation of the police station and court facility. These 20-year bonds have interest rates that range from 5.0 percent to 7.0 percent. The City is obligated to pay interest commencing June 1, 1996 and semiannually thereafter. The first principal payment was due June 1, 1997 and will continue to be due annually June 1 through 2016.

On April 23, 2004 the City of Dearborn issued \$8,630,000 in general obligation limited tax bonds with interest rates that range from 2.0% to 4.0%. The proceeds from these bonds were used to advance refund \$8,475,000 of outstanding Municipal Building Authority general obligation unlimited tax bonds. The net proceeds of \$8,766,702 (net of underwriting fees, insurance and issuance costs) were used to purchase U.S. Treasury Securities. Those securities were deposited into an irrevocable trust with an escrow agent and subsequently used to pay off the bonds, including a call premium, on June 1, 2004. The advance refunding reduces total debt service payments over the next 12 years by approximately \$512,500 which represents an economic gain of approximately \$435,000.

On June 24, 2004 the City of Dearborn issued \$13,260,000 of Limited Tax General Obligation Bonds, Series A and \$930,000 in Limited Tax General Obligation Bonds, Series B (Taxable) for the purpose of paying for the cost of acquiring, constructing, installing and equipping certain capital and technology improvements. \$11,260,000 of the Series A (non-taxable) as well as all \$930,000 of the Series B (taxable) bonds will be used to construct parking decks, renovate existing lots and implement a paid parking system. The remaining \$2,000,000 of Series A (nontaxable) bonds will be used for technology upgrades to various City facilities. These 15-year bonds have interest rates that range from 2.75% to 4.55% for the non taxable and 5.9% to 6.00% for the taxable bonds. The City is obligated to pay interest commencing December 1, 2004 and semiannually thereafter. The first principal payment is due on June 1, 2005 and will continue through June 2019.

On April 25, 2006, the City of Dearborn issued \$2,475,000 in general obligation limited tax refunding bonds (taxable) with interest rates that range from 5.5% to 5.8%. The proceeds from these bonds along with an additional contribution from the General Fund, were used to advance refund \$3,650,000 of outstanding 2004 Capital Improvement Bonds, Series A (non-taxable). The net proceeds of \$3,604,631 (net of underwriting fees and issuance costs) were used to purchase U.S. Certificates of Indebtedness – State and Local Government Securities (SLGS). Those securities were deposited into an irrevocable trust with an escrow agent and will be used to pay off the bonds as they become due. Refinancing of a portion of the bonds was necessary to accommodate a change in the portion of the parking projects that will be dedicated for personal

use which resulted in the loss of the exclusion of gross interest for federal income tax purposes. The net economic loss to the City was \$299,484.

On February 9, 1990, the City of Dearborn and the Michigan Municipal Bond Authority entered into an agreement whereby the City of Dearborn would issue and the Michigan Municipal Bond Authority would purchase, up to \$4,015,000 in principal of Sewage Disposal System Revenue Bonds, Series 1990 (General Obligation Limited Tax) for the construction of the Greenfield Road Sewage Pumping Station. The City is obligated to pay interest at 2 percent per annum commencing October 1, 1990 and semiannually thereafter. The first principal payment was due October 1, 1991 and will continue to be due October 1 through 2010.

On September 29, 1994, the City of Dearborn and the Michigan Municipal Bond Authority entered into an agreement whereby the City of Dearborn would issue, and the Michigan Municipal Bond Authority would purchase, up to \$2,080,000 in principal of Sewage Disposal System Revenue Bonds, Series 1994 (General Obligation Limited Tax) for the construction of the Combined Sewer Overflow/Retention Treatment Tunnel. The City is obligated to pay interest at 2 percent per annum commencing April 1, 1995 and semiannually thereafter. The first principal payment was due April 1, 1997 and will continue to be due April 1 through 2016.

On June 22, 1995, the City of Dearborn issued \$26,750,000 of Sewage Disposal System Revenue Bonds, Series 1995A to finance the City's portion of costs for the construction of the Combined Sewer Overflow/Retention Treatment Tunnel project. These 20-year bonds have interest rates that range from 5.125 percent to 7.0 percent. The City is obligated to pay interest commencing October 1, 1995 and semiannually thereafter. The first principal payment was due April 1, 1997 and will continue to be due April 1 through 2016. Principal and interest are payable from the net revenues of the system.

On February 17, 2004 the City of Dearborn issued \$18,230,000 in Sewage Disposal System Revenue Refunding Bonds, Series 2004 with interest rates that range from 2.0% to 4.0%. The proceeds from these bonds were used to refund \$18,270,000 of outstanding Sewage Disposal System Revenue Bonds, Series 1995A. The proceeds were used to purchase U.S. Certificates of Indebtedness – State and Local Government Securities (SLGS). Those securities were deposited into an irrevocable trust with an escrow agent and subsequently used to pay off the bonds, including a call premium, on April 1, 2004. The advance refunding reduces total debt service payments over the next 13 years by approximately \$1,927,000 which represents an economic gain of approximately \$1,580,000.

In conjunction with the Sewage Disposal System Revenue Refunding Bonds, Series 2004, the City has covenanted and agreed to set, maintain and revise, from time to time, rates that will maintain net revenues of the system, sufficient to provide for payment of principal and interest on bonds and for the payment of expenses of administration and operation and such expenses for maintenance of the system as are necessary to preserve the same in good repair and working order, to maintain the bond reserve, if any, and to provide for any other expenditures as are required by the sewer ordinances. In addition, it has covenanted and agreed to set, maintain and revise rates from time to time and at least annually so that there shall be produced in each fiscal year net revenues in an amount not less than 120 percent of the aggregate principal and interest on bonds coming due in each fiscal year.

Note 4 – Long-term Debt (Continued)

On September 28, 1995, the City of Dearborn and the Michigan Municipal Bond Authority entered into an agreement whereby the City of Dearborn would issue, and the Michigan Municipal Bond Authority would purchase, up to \$137,374 in principal of Sewage Disposal System Revenue Bonds, Series 1995B (General Obligation Limited Tax) for the construction of the Combined Sewer Overflow/Retention Treatment Tunnel. The City is obligated to pay interest at 2.25 percent per annum commencing April 1, 1998 and semiannually thereafter. The first principal payment was due April 1, 1998 and will continue to be due April 1 through 2016.

On March 28, 2002, the City of Dearborn and the Michigan Municipal Bond Authority entered into an agreement whereby the City of Dearborn would issue, and the Michigan Municipal Bond Authority would purchase, up to \$6,000,000 in principal of Sewage Disposal System Revenue Bonds, Series 2002 (General Obligation Limited Tax) for the construction of the Miller Road Sewage Pump Station. The City is obligated to pay interest at 2.50 percent per annum commencing on October 1, 2002 and semiannually thereafter. The first principal payment was due April 1, 2004 and will continue to be due April 1 through 2023.

On September 14, 2004, the City of Dearborn issued \$24,500,000 of General Obligation Unlimited Tax Bonds to finance the construction of the Combined Sewer Overflow project. These 30-year bonds have interest rates that range from 3.0% to 5.0%. The City is obligated to pay interest commencing April 1, 2005 and semiannually thereafter. The first principal payment was due April 1, 2006 and will continue to be due annual June 1 through 2034.

On September 23, 2004, the City of Dearborn and the Michigan Municipal Bond Authority entered into an agreement whereby the City of Dearborn would issue, and the Michigan Municipal Bond Authority would purchase, up to \$61,640,000 in principal of General Obligation Sewer Bonds, Series 2004A (Unlimited Tax General Obligation) for the construction of the Combined Sewer Overflow project. The City is obligated to pay interest at 1.625% per annum commencing April 1, 2005 and semiannually thereafter. The first principal payment is due April 1, 2008 and will continue to be due April 1 through 2027.

On September 12, 2005, the City of Dearborn and the Michigan Municipal Bond Authority entered into an agreement whereby the City of Dearborn would issue, and the Michigan Municipal Bond Authority would purchase, up to \$72,895,000 in principal of General Obligation Sewer Bonds, Series 2005 (Unlimited Tax General Obligation) for the construction of the Combined Sewer Overflow project. The City is obligated to pay interest at 1.625 percent per annum commencing April 1, 2006 and semiannually thereafter. The first principal payment is due April 1, 2009 and will continue to be due April 1 through 2028.

On June 22, 2006, the City of Dearborn and the Michigan Municipal Bond Authority entered into an agreement whereby the City of Dearborn would issue, and the Michigan Municipal Bond Authority would purchase, up to \$7,450,000 in principal of General Obligation Sewer Bonds, Series 2006 (Unlimited Tax General Obligation) for the construction of the Combined Sewer Overflow project. The City is obligated to pay interest at 1.625% per annum commencing October 1, 2006 and semiannually thereafter. The first principal payment is due April 1, 2008 and will continue to be due April 1 through 2027.

Note 4 – Long-term Debt (Continued)

Component Units

The revitalization Revolving Loan the City received from the Michigan Department of Environmental Quality (MDEQ) was paid in full prior to June 30, 2007.

The following is a summary of long-term debt transactions of the component units for the year ended June 30, 2007:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Other liabilities - Compensated absences	\$ 3,744	\$ 3,910	\$ -	\$ 7,654	\$ -

Note 5 - Interfund Receivables and Payables

The following balances at June 30, 2007 represent interfund receivables and payables:

Receivables Fund	Payable Fund	Amount
Due from/to Other Funds		
General	Nonmajor governmental funds	\$ 279,114
Nonmajor governmental funds	Nonmajor governmental funds	100,708
Parking System	General capital improvement	14,261
Sewer	Water	525,383
Fiduciary	General	1,004,069
	Nonmajor governmental funds	8,240
	Sewer	21,360
	Water	43,904
	Nonmajor enterprise funds	21,909
	Total Fiduciary agency funds	1,099,482
	Total	\$ 2,018,948
Advances from/to Other Funds		
General	General Capital Improvement	\$ 605,642
	Golf Course	261,500
	Total	\$ 867,142

The advances to other funds include the following:

- The balance of \$605,642 due to the general fund from the general capital improvement fund resulted from a loan to establish working capital for the passenger rail station project; the balance will be collected as grant monies are received.
- The balance of \$261,500 due to the general fund from the golf course fund resulted from loans to construct the golf course's club house and to finance maintenance equipment and golf carts; \$78,733 of the balance is scheduled to be collected in the subsequent year.

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Note 6 - Interfund Transfers

The following amounts for the year ended June 30, 2007 represent interfund transfers in and out:

Transferred In Fund	Transferred Out Fund	Amount
General	Nonmajor governmental funds	\$ 26,315
	Internal service funds	174,049
	Total General	<u>200,364</u>
General Capital Improvement	General	5,689,971
	Nonmajor governmental funds	569,683
	Sewer	11,068
	Water	11,068
	Total General Capital Improvement	<u>6,281,790</u>
Nonmajor governmental funds	General	1,768,184
	Nonmajor governmental funds	3,573,078
	Total Nonmajor governmental funds	<u>5,341,262</u>
Parking System	General	448,748
Water	Nonmajor governmental funds	972,321
Nonmajor enterprise funds	General	135,000
Internal service funds	General	<u>500,000</u>
	Total	<u><u>\$ 13,879,485</u></u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the funds that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

In the year ended June 30, 2007, the City made a transfer in the amount of \$5,689,971 from the general fund to the general capital improvement fund. Of this amount, \$4,896,588 was to finance various capital projects.

The Central Garage activity reported in the Fleet Replacement Fund was transferred to the General Fund during fiscal year 2007. The equity transfer out of \$1,190,922 reported on the Combining Statement of Revenues, Expenses and Changes in Fund Net Assets for the Internal Service Funds includes \$1,057,976 of capital assets net of depreciation and \$41,103 of long-term debt that are not recognized at the fund level. Since both funds involved in this transfer are classified as governmental activities this transfer has no impact on the Statement of Activities.

Note 7 – Pension and Other Postretirement Plans

Plan Description

The City is the administrator of three single-employer defined benefit plans as follows:

(Closed) Policemen's and Firemen's Retirement System	Chapter 21
(Closed) General Employees' Retirement System	Chapter 22
(Open) Revised Police and Fire Retirement System	Chapter 23

The plans, which cover all full-time employees of the City not covered by the defined contribution plan, provide retirement, disability and death benefits to plan members and their beneficiaries. The plans may be amended by negotiations with the City's competitive bargaining units. The plans do not issue separate financial reports.

At June 30, 2006, the date of the most recent actuarial valuation, membership consisted of the following:

	(Closed) General Employees	(Open) Police and Fire	(Closed) Policemen's and Firemen's
Retirees and beneficiaries currently receiving benefits	586	261	125
Terminated employees entitled to benefits but not yet receiving them	65	8	-
Current active employees	372	284	-

Contributions

The financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are recorded at fair value. Please refer to Note 1 for further significant accounting policies.

The obligation to contribute to and maintain the systems for these employees was established by negotiations with the City's competitive bargaining units and requires a contribution from police and fire employees participating in the (Open) Police and Fire Retirement System of 5 percent of covered wages. General employees participating in the General Employees' Retirement System do not pay into their pension system.

Note 7 – Pension and Other Postretirement Plans (Continued)

Annual Pension Cost

For the year ended June 30, 2007, the City's annual pension cost of \$10,540,058 for the three plans was equal to the City's required and actual contributions. The annual required contribution was determined as part of an actuarial valuation at June 30, 2005, using the entry age normal method. Significant actuarial assumptions used include (a) a 7.00 to 7.50 percent investment rate of return and (b) projected salary increases of 3.75 percent to 7.05 percent per year, depending on the system. Both (a) and (b) include an inflation component of 3.75 percent to 4.50 percent depending on the system. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. Unfunded actuarial accrued liability for the three pension plans as of June 30, 2006, are as follows:

Chapter 21 plan	-
Chapter 22 plan	\$21,307,763
Chapter 23 plan	\$26,410,892

There were no pension obligations contributed for the three pension plans in the two preceding years. Administrative costs of the plans are paid by the City's General Fund.

Reserves

In accordance with legal requirements, the pension plans segregate member contributions and accumulated interest. As of June 30, 2007, the reserves are fully funded as follows:

Chapter 21 plan	None Required
Chapter 22 plan	\$ 1,083,646
Chapter 23 plan	\$ 10,077,457

Note 7 – Pension and Other Postretirement Plans (Continued)

Financial Statement Information

As of June 30, 2007 the Statement of Net Assets for the three pension plans is as follows:

	(Closed) General Employees' Retirement System Fund	(Open) Revised Police & Fire Retirement System Fund	(Closed) Policemen's & Firemen's Retirement System Fund
Assets			
Cash and cash equivalents	\$ 3,233,955	\$ 3,797,608	\$ 320,770
Receivables:			
Interest and dividends	372,582	541,930	134,832
Other	56,321	149,938	5,673
Investments, at fair value:			
Long-term bonds	64,323,336	95,707,622	22,582,455
Common stock	15,739,428	29,683,625	2,472,941
Collateral pledged on securities loaned	7,793,263	14,364,449	1,656,333
Real estate	7,161,759	12,761,671	2,286,204
Mutual funds	53,385,435	113,122,805	12,217,437
Total investments	<u>148,403,221</u>	<u>265,640,172</u>	<u>41,215,370</u>
Total assets	<u>152,066,079</u>	<u>270,129,648</u>	<u>41,676,645</u>
Liabilities			
Accounts payable	168,939	2,013,728	29,421
Deferred revenue	-	36,983	-
Amounts due to broker under securities lending agreement	7,793,263	14,364,449	1,656,333
Total liabilities	<u>7,962,202</u>	<u>16,415,160</u>	<u>1,685,754</u>
Net Assets			
Held in trust for pension benefits and other employee benefits	<u>\$ 144,103,877</u>	<u>\$ 253,714,488</u>	<u>\$ 39,990,891</u>

Note 7 – Pension and Other Postretirement Plans (Continued)

For the year ended June 30, 2007 the Statement of Changes in Net Assets for the three pension plans is as follows:

	(Closed) General Employees' Retirement System Fund	(Open) Revised Police & Fire Retirement System Fund	(Closed) Policemen's & Firemen's Retirement System Fund
Additions			
Investment income:			
Interest and dividends	\$ 3,973,036	\$ 5,523,090	\$ 1,332,271
Net increase in value of investments	14,981,668	30,520,498	3,913,362
Net investment income	<u>18,954,704</u>	<u>36,043,588</u>	<u>5,245,633</u>
Contributions:			
Employer	4,415,971	6,124,087	-
Employee	-	1,073,688	-
Reimbursements	-	-	-
Total contributions	<u>4,415,971</u>	<u>7,197,775</u>	<u>-</u>
Total additions	23,370,675	43,241,363	5,245,633
Deductions			
Benefit payments	8,916,924	10,523,207	3,550,288
Refunds of contributions	124,570	571,580	-
Administrative expenses	497,601	826,137	153,841
Total deductions	<u>9,539,095</u>	<u>11,920,924</u>	<u>3,704,129</u>
Change in Net Assets	13,831,580	31,320,439	1,541,504
Net Assets - Beginning of Year	130,272,297	222,394,049	38,449,387
Net Assets - End of Year	<u>\$ 144,103,877</u>	<u>\$ 253,714,488</u>	<u>\$ 39,990,891</u>

Other Postretirement Benefit Obligations

Plan description - The City of Dearborn established the Postretirement Health Insurance Fund pursuant to Public Act 149 of 1999 to provide for future payments of medical benefits for eligible employees and their spouses and dependents. Substantially all employees may become eligible for these benefits through age and years of service. At June 30, 2007 there were 854 retirees or surviving beneficiaries eligible for such coverage.

Note 7 – Pension and Other Postretirement Plans (Continued)

This is a single employer defined benefit plan administered by the City. The benefits are provided under applicable salary plans or union contracts. The plan does not issue a separate stand-alone financial statement.

Funding policy - The benefits are established under provisions of applicable salary plans or union contracts. Employees are not required to contribute to the trust. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a “pay-as-you-go” basis). However, as shown below, the City has made contributions to advance-fund these benefits, as determined by the City Council through annual budget resolutions. The costs of administering the plan are borne by the trust.

Funding progress - For the year ended June 30, 2007 the City has estimated the cost of providing retiree health care benefits through an actuarial valuation as of June 30, 2005. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. Based on that valuation, the City contributed \$8,172,012 in the year ended June 30, 2007 which represents 51.5% of the annual required contribution.

The funding progress of the plan as of the most recent valuation date is as follows:

Valuation as of June 30, 2006:

Actuarial value of assets	\$	27,066,439
Actuarial accrued liability	\$	191,264,734
Unfunded AAL	\$	164,198,295
Funded ratio		14.2%
Annual covered payroll	\$	48,342,659
Ratio of UAAL to covered payroll		339.7%

Actuarial methods and assumptions: Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Note 7 – Pension and Other Postretirement Plans (Continued)

In the June 30, 2006 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 7.25 percent investment rate of return (net of administrative expenses), which is the expected long-term investment return on plan assets, and an annual healthcare cost trend rate of 12 percent initially, reduced to an ultimate rate of 3.75 percent after ten years. The actuarial value of assets was equal to the market value of investments. The UAAL is being amortized as a level percentage of projected payroll over thirty years.

Retiree life insurance benefits are paid from the City's Retiree Death Benefit Fund. Retirees electing such coverage pay premiums which, when combined with amounts contributed by the City, pay the cost of the benefits. The cost of claims paid for life insurance benefits for the year ended June 30, 2007 was approximately \$26,000.

Note 8 – Deferred Compensation Plan

The City offers its employees a deferred compensation plan established in accordance with Internal Revenue Code Section 457. The plan is available to all City employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All assets of the plan are, until paid or made available to the employee or other beneficiary, held in trust and are not subject to claims of the City's general creditors. Therefore, the assets of the plan are not reported. A section 401A Plan is established for full time employees not covered by the general and police employees' retirement systems.

The City's liability to each participant is equal to the participant's deferred compensation, adjusted by an amount equal to the investment performance in the related asset account. The City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. Investments are managed by a trustee and investment decisions are made by individual employees.

Note 9 – Risk Management

Commercial Insurance

The City purchases commercial medical and hospitalization insurance coverage from various providers for its employees. There were no significant reductions in insurance coverage from coverage in the prior year. The amount of settlements has not exceeded insurance coverage for any of the past five fiscal years.

Self-insurance

The City operates self-insurance programs for workers' compensation and fleet and general liability reported in the Internal Service Funds.

Note 9 – Risk Management (Continued)

Unemployment Compensation

Unemployment compensation is on a reimbursement basis with the Unemployment Insurance Agency. Claims are managed by the City's Human Resources Department, with payment for the preceding calendar year's claims due in August of the following year. Funding for unemployment compensation is paid by each department equal to claims paid on its behalf in the prior year.

Workers' Compensation

The City has excess liability coverage with a retention of \$500,000 per accident and \$500,000 per employee illness. The City is self-insured for the retentions. Funding for the workers' compensation program is based on a percentage of payroll judged necessary to fund the program. The estimated accrued liability for claims is based on past experience and future exposure of the claims.

Employee Insurance

Employee death benefits, funded through the employee insurance fund, are handled by an outside insurance company. Charges for this insurance are built into each payroll and allocated to the benefited funds and departments.

Fleet and General Liability Insurance Fund

The City has been self-insured for civil and fleet liability at various times. Currently, the City maintains excess liability coverage for fleet, general, boiler and machinery, property, crime, contractor's equipment, electronic data processing, public officials errors and omissions, and ambulance attendants liability. The City has a self-insured retention of \$1,000,000 for each liability claim. The first layer of insurance is \$5,000,000 per occurrence. The excess layer is \$10,000,000 per occurrence. The City has increased funding of its insurance program as a result of insurance industry conditions. The City estimates liability for claims based on the Law Department's evaluation of potential exposure, historical experience and future development of the claims. Retained earnings are designated for anticipated future catastrophic losses.

The City estimates liability for those claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not been reported. Estimates are recorded in the internal service fund type.

Note 9 – Risk Management (Continued)

Changes in the estimated liabilities during the year were as follows:

	Unemployment Compensation	Workers' Compensation	Employee Insurance	Fleet & General Liability
Claims liability - July 1, 2005	\$ -	\$ 2,666,404	\$ -	\$ 3,598,083
Claims incurred during the year	85,518	-	876,231	660,384
Changes in estimates for claims of prior periods	-	1,010,645	-	(521,183)
Payments on claims	<u>(85,518)</u>	<u>(68,543)</u>	<u>(876,231)</u>	<u>(449,044)</u>
Claims liability - June 30, 2006	-	3,608,506	-	3,288,240
Claims incurred during the year	71,191	214,513	879,960	1,312,036
Changes in estimates for claims of prior periods	-	(1,462,699)	-	(3,819,260)
Payments on claims	<u>(71,191)</u>	<u>(59,605)</u>	<u>(879,960)</u>	<u>1,146,198</u>
Claims liability - June 30, 2007	<u>\$ -</u>	<u>\$ 2,300,715</u>	<u>\$ -</u>	<u>\$ 1,927,214</u>

Note 10 – Claims, Litigation and Potential Contract Disallowances

Provision for certain claims (see Note 9) and assessments asserted against the City, estimable in amount and probable of payment has been made in the applicable funds.

In addition, the City is a defendant in certain other lawsuits and claims that have resulted from the ordinary course of its activities. The ultimate effect on the combined financial statements of the resolution of these matters is, in the opinion of Corporation Counsel, not expected to be material considering available insurance coverage.

The City receives funds from other governmental units to finance specific programs. The final determination of allowable amounts is subject to financial and compliance audit by the responsible agencies. As of June 30, 2007, the audits of certain programs were not completed. Accordingly, the City's compliance with applicable grant requirements and the amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time. The City believes that amounts disallowed, if any, from pending or future audits would not be material.

Note 11 – Commitments for Construction

PROPRIETARY FUNDS

The Michigan Department of Environmental Quality (MDEQ) issued a revised National Pollution Discharge Elimination System Permit to the City in September of 2001. The new permit describes requirements for the elimination of CSO discharges from Outfalls 1-17 and Outfalls 19-21. The City is authorized to issue up to \$314.12 million in bonds to finance this project in combination with Rouge River Wet Weather Demonstration grants and low interest loans through the State Revolving Fund.

Construction related to Outfalls 13, 14, and 15 began in November of 2004 and consists of large diameter, sinking caisson shafts to capture the required amount of CSO volumes in accordance with the NPDES permit. Construction of this phase of the project will be completed by July of 2010. Two significant elements of this project, the Oakwood Chemical Feed Facility and the control of CSO Outfall 015, were completed during the summer of 2006.

Construction related to Outfalls 16 and 17 began in November of 2005 and also consists of large diameter, sinking caisson shafts to capture the required CSO volumes. This phase of the project will be complete by November 2008.

Outfall 19 will be handled through a sewer separation project to be completed by December 2007. Outfall 21 was completed with the construction of the Miller Road Pump Station in 2005.

Construction associated with Outfalls 6-9 will begin in December 2007 and be completed by April 2012. The final stage of the CSO project, associated with Outfalls 1-5 and 10-12, is in the design stage. Construction of this phase will also be completed by April 2012.

Current construction for these CSO projects is estimated at \$342 million. A large portion of the work that was completed in the 1990's has been incorporated into the new CSO design. The outstanding balance for construction commitments at June 30, 2007 is \$70,360,747.

In August 2004, a ballot proposal was approved by the voters, which authorized the City to borrow up to \$314.12 million in general obligation bonds in order to finance these projects. As of June 30, 2007 approximately \$142 million in State Revolving Fund low interest loan bonds and \$24.5 in general obligation bonds have been issued.

Note 12 – Construction Code Fees

The City of Dearborn oversees building construction, in accordance with the state's construction code act, including inspection of building construction and renovation to ensure compliance with the building codes. The City of Dearborn charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the activity since January 1, 2000 is as follows:

Shortfall at July 1, 2006			\$ (4,767,765)
Total code enforcement revenue		\$ 3,370,221	
Related expenses:			
Direct costs	\$ 4,271,970		
Estimated indirect costs	527,174		
Total code enforcement expenses		<u>4,799,144</u>	
Current year shortfall			<u>(1,428,923)</u>
Shortfall at June 30, 2007			<u><u>\$ (6,196,688)</u></u>

Note 13 – Upcoming Reporting Change

The Governmental Accounting Standards Board has recently released Statement Number 45, Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ended June 30, 2008.

Note 14 – Defined Contribution Pension Plan

The City established a defined contribution plan under Sections 401(a) and 457 of the Internal Revenue Code for general employees who hired on or after January 1, 2002, depending on bargaining unit. New police officers were added to the plan as of July 1, 2005.

In addition, the plan covers all general employees who elected to transfer from the City's defined benefit pension plan.

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the City of Dearborn through collective bargaining agreements, the City contributes a percentage of employees' earnings as follows:

	<u>Employee Contribution</u>	<u>Employer Contribution (General Employees)</u>	<u>Employer Contribution (Police Officers)</u>
401 plan (required)	2%	4%	4%
457 plan	up to 3%	up to 4 %	6%

The City's contributions for each employee (plus interest allocated to the employee's account) are fully vested after five years of service and are vested immediately for employees transferring from the existing defined benefit pension.

In accordance with the above requirements, the City contributed \$370,215 during the current year and employees contributed \$365,795.

Note 15 – Brownfield Redevelopment Fund

On September 18, 2000 the City of Dearborn entered into an agreement with the EPA for a Brownfield Revolving Loan in the amount of \$500,000. The agreement with the EPA states that the City must file an annual report disclosing the use of the funds beginning in fiscal year 2007, and every year thereafter for a period of 10 years. As long as the City is using the revolving fund for brownfield redevelopment efforts, the City is not obligated to repay the loan. It is the intention of the City to maintain the purpose of this loan and therefore, has not reported the revolving loan as a debt of the City.

In fiscal year 2003 the Dearborn City Council and the Michigan Department of Environmental Quality (MDEQ) approved the City's Village Condominium remediation project, BRA Plan #5. The plan allows for remediation costs incurred and paid for by the City to be reimbursed using tax increment financing dollars captured in multiple years beginning with fiscal year 2007. At June 30, 2007 the amount captured did not fully cover the costs incurred resulting in a deficit fund balance of \$12,451. This amount will be captured in fiscal year 2008.

Required Supplemental Information

City of Dearborn, Michigan

Chapter 21 (Closed) Policemen's and Firemen's Retirement System Schedule of Funding Progress (in millions of dollars)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll
6/30/2001	48.6	39.8	(8.8)	1.221	-	N/A
6/30/2002	47.5	39.1	(8.4)	1.215	-	N/A
6/30/2003	44.8	37.6	(7.2)	1.191	-	N/A
6/30/2004	42.1	35.0	(7.1)	1.203	-	N/A
6/30/2005	39.1	33.4	(5.7)	1.171	-	N/A
6/30/2006	37.1	31.7	(5.4)	1.170	-	N/A

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2002	-	N/A
2003	-	N/A
2004	-	N/A
2005	-	N/A
2006	-	N/A
2007	-	

The information presented above was determined as part of the actuarial valuations for the years then ended. Additional information as of June 30, 2006, the latest actuarial valuation, follows:

Actuarial cost method	Fully Funded Retiree Only Plan
Asset valuation method	5-year smoothed market
Amortization method	Level dollar
Amortization period	5 years
Actuarial assumptions:	
Investment rate of return*	7.00%
Projected salary increases*	4.50%
*Includes inflation at cost of living adjustment	4.50%

City of Dearborn, Michigan

Chapter 22 (Closed) General Employees' Retirement System Schedule of Funding Progress (in millions of dollars)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll
6/30/2001	139.9	120.2	(19.7)	1.164	25.4	(77.6)
6/30/2002	139.7	127.5	(12.2)	1.096	26.3	(46.4)
6/30/2003	130.6	134.9	4.3	0.968	25.1	17.1
6/30/2004	128.4	139.9	11.5	0.918	22.8	50.4
6/30/2005	129.1	147.1	18.0	0.878	21.6	83.2
6/30/2006	130.1	151.4	21.3	0.859	20.1	105.9

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2002	308,063	100
2003	324,874	100
2004	324,427	100
2005	3,364,143	100
2006	3,581,494	100
2007	4,415,971	100

The information presented above was determined as part of the actuarial valuations for the years then ended. Additional information as of June 30, 2006, the latest actuarial valuation, follows:

Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	29 years
Asset valuation method	5-year smoothed market 80% - 120% corridor
Actuarial assumptions:	
Investment rate of return*	7.25%
Projected salary increases*	3.75% - 7.05%
*Includes inflation at cost of living adjustment	3.75%

City of Dearborn, Michigan

Chapter 23 (Open) Police and Fire Retirement System Schedule of Funding Progress (in millions of dollars)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll
6/30/2001	207.2	164.5	(42.7)	1.260	19.6	(217.9)
6/30/2002	209.7	180.7	(29.0)	1.160	19.6	(148.0)
6/30/2003	206.5	196.3	(10.2)	1.052	21.5	(47.4)
6/30/2004	204.6	210.0	5.4	0.974	21.5	25.1
6/30/2005	205.6	223.0	17.4	0.922	20.7	84.1
6/30/2006	213.7	240.1	26.4	0.890	22.9	115.3

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2002	561,239	100
2003	573,217	100
2004	652,503	100
2005	4,581,130	100
2006	5,886,916	100
2007	6,124,087	100

The information presented above was determined as part of the actuarial valuations for the years then ended. Additional information as of June 30, 2006, the latest actuarial valuation, follows:

Actuarial cost method	Entry age normal
Amortization method	Level percent of pay
Remaining amortization period	25 years
Asset valuation method	5-year smoothed market 80% - 120% corridor

Actuarial assumptions:

Investment rate of return*	7.25%
Projected salary increases*	3.75%

*Includes inflation at
cost of living adjustment 3.75% (varies by labor contract)

City of Dearborn, Michigan

Postretirement Healthcare Fund Schedule of Funding Progress (in millions of dollars)

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/2005	23.7	223.4	199.7	10.6	47.9	417.2
6/30/2006	27.0	191.3	164.3	14.2	48.3	339.7

Schedule of Employer Contributions

Year Ended June 30	Actual Valuation Date	Annual Required Contribution	Percentage Contributed
2007	6/30/2005	15.9	51.5

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2006 the latest actuarial valuation, follows:

Actuarial cost method Individual Entry age

Amortization method Level percent Open

Amortization period (perpetual) 30 years

Asset valuation method Market

Actuarial assumptions:

Investment rate of return 7.25

Projected salary increases* 3.75% - 7.8%

*Includes inflation at 3.75%

cost of living adjustments None

City of Dearborn, Michigan

Budgetary Comparison Schedule – General Fund Year Ended June 30, 2007

	Budgeted Amounts		Actual on	Variance	Accounting	
	Original	Final	Budgetary	Favorable	Basis	Actual
			Basis	(Unfavorable)	Adjustments	
Revenues						
Taxes and Penalties on Taxes						
Current property taxes	\$ 65,654,308	\$ 65,654,308	\$ 66,323,556	\$ 669,248	\$ -	\$ 66,323,556
Property tax administration fee	2,515,000	2,515,000	2,511,950	(3,050)	-	2,511,950
Penalties and interest on taxes	835,000	835,000	1,230,146	395,146	-	1,230,146
Payments in lieu of taxes	1,067,500	1,067,500	1,528,644	461,144	-	1,528,644
Total taxes and penalties on taxes	70,071,808	70,071,808	71,594,296	1,522,488	-	71,594,296
Licenses and Permits						
Business licenses and permits	268,500	268,500	257,288	(11,212)	-	257,288
Nonbusiness licenses and permits	2,185,050	2,185,050	2,096,724	(88,326)	-	2,096,724
Total licenses and permits	2,453,550	2,453,550	2,354,012	(99,538)	-	2,354,012
Intergovernmental Revenues						
State sources:						
Sales and use tax	9,884,297	9,884,297	9,510,689	(373,608)	-	9,510,689
Liquor licenses	65,000	65,000	69,352	4,352	-	69,352
Operators' licenses	5,000	5,000	3,862	(1,138)	-	3,862
Judges' salaries	138,000	138,000	136,722	(1,278)	-	136,722
Alcohol caseload rebate	10,000	10,000	25,133	15,133	-	25,133
Other state sources	384,080	459,715	522,153	62,438	-	522,153
Total state sources	10,486,377	10,562,012	10,267,911	(294,101)	-	10,267,911
Other governmental:						
Federal grants	74,800	381,672	297,192	(84,480)	-	297,192
Wayne County library fines	134,000	134,000	120,626	(13,374)	-	120,626
Total other governmental	208,800	515,672	417,818	(97,854)	-	417,818
Total intergovernmental revenues	10,695,177	11,077,684	10,685,729	(391,955)	-	10,685,729
Charges for Services						
General government:						
Birth and death records	250,000	250,000	223,388	(26,612)	-	223,388
Engineering and inspection	800,000	800,000	1,142,126	342,126	-	1,142,126
City service fee	1,003,624	1,003,624	1,003,624	-	-	1,003,624
Other	1,209,925	1,210,675	1,043,313	(167,362)	-	1,043,313
Total general government	3,263,549	3,264,299	3,412,451	148,152	-	3,412,451
Public safety:						
Annual safety inspection	120,000	120,000	-	(120,000)	-	-
Annual maintenance inspection	90,000	90,000	21,824	(68,176)	-	21,824
Ambulance services	1,140,000	1,140,000	1,572,340	432,340	-	1,572,340
Additional police patrols	46,000	46,000	91,359	45,359	-	91,359
False alarms	45,000	45,000	26,950	(18,050)	-	26,950
Other	850,400	850,400	760,244	(90,156)	-	760,244
Total public safety	2,291,400	2,291,400	2,472,717	181,317	-	2,472,717
Health	191,775	191,775	183,878	(7,897)	-	183,878
Public works:						
Debris and rubbish pickup	30,000	30,000	28,308	(1,692)	-	28,308
Sidewalk maintenance	876,012	876,012	514,696	(361,316)	-	514,696
Total public works	906,012	906,012	543,004	(363,008)	-	543,004
Recreation and culture:						
Programs and activities sales	529,627	529,627	466,603	(63,024)	-	466,603
Sales	282,011	282,011	256,937	(25,074)	-	256,937
Use and admission fees	1,976,414	1,976,414	2,075,334	98,920	-	2,075,334
Total recreation and culture	2,788,052	2,788,052	2,798,874	10,822	-	2,798,874
Total charges for services	9,440,788	9,441,538	9,410,924	(30,614)	-	9,410,924

City of Dearborn, Michigan

Budgetary Comparison Schedule – General Fund Year Ended June 30, 2007

	Budgeted Amounts		Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
	Original	Final				
Fines and Forfeitures						
Parking fines	\$ 250,000	\$ 250,000	\$ 279,562	\$ 29,562	\$ -	\$ 279,562
19th District Court fines	2,660,850	2,660,850	3,525,169	864,319	-	3,525,169
Library fines and forfeits	96,000	96,000	98,975	2,975	-	98,975
Other fines and forfeits	4,500	4,500	5,020	520	-	5,020
Total fines and forfeitures	3,011,350	3,011,350	3,908,726	897,376	-	3,908,726
Miscellaneous Revenue						
Franchise fees	143,000	143,000	167,277	24,277	-	167,277
Rents and lease agreements	3,094,331	3,094,331	3,090,489	(3,842)	-	3,090,489
Reimbursements	8,400	8,400	64,208	55,808	-	64,208
Other revenue	497,577	506,337	330,978	(175,359)	-	330,978
Total miscellaneous revenue	3,743,308	3,752,068	3,652,952	(99,116)	-	3,652,952
Investment Income	3,100,000	3,100,000	2,955,302	(144,698)	-	2,955,302
Total revenues	102,515,981	102,907,998	104,561,941	1,653,943	-	104,561,941
Other Financing Sources						
Drug Law Enforcement Fund	75,000	102,232	11,602	(90,630)	-	11,602
Designated Purposes Fund	-	-	14,713	14,713	-	14,713
Residual equity transfer in	-	-	174,049	174,049	-	174,049
Total other financing sources	75,000	102,232	200,364	98,132	-	200,364
Total revenues and other sources	\$ 102,590,981	\$ 103,010,230	\$ 104,762,305	\$ 1,752,075	\$ -	\$ 104,762,305

Expenditures

General Government

Charter Commission	\$ -	\$ 65,382	\$ 11,031	\$ 54,351	\$ -	\$ 11,031
Council	461,202	465,402	397,209	68,193	(2,704)	394,505
District Court	3,137,584	3,141,945	2,926,396	215,549	(9,187)	2,917,209
Mayor	940,731	955,888	877,925	77,963	(2,790)	875,135
City Clerk	948,794	1,004,039	917,281	86,758	(7,770)	909,511
Law	1,734,739	1,828,739	1,698,129	130,610	(118,677)	1,579,452
Human resources	964,098	974,658	918,512	56,146	(11,720)	906,792
Public works/building services and maintenance	3,563,249	3,337,038	3,099,158	237,880	(24,142)	3,075,016
Assessment	1,310,504	1,310,504	1,059,221	251,283	(166,981)	892,240
Management information systems	1,396,786	1,438,444	1,189,652	248,792	(36,207)	1,153,445
Finance:						
Accounting	1,671,784	1,774,390	1,501,197	273,193	(8,285)	1,492,912
Purchasing	480,301	478,501	403,703	74,798	(2,500)	401,203
Treasurer	709,571	720,803	644,785	76,018	(21,666)	623,119
Nondepartmental - Insurance, tax refunds and other miscellaneous	2,300,000	2,128,063	1,300,000	828,063	-	1,300,000
Total general government	19,619,343	19,623,796	16,944,199	2,679,597	(412,629)	16,531,570

Public Safety

Police:						
Operations	26,932,657	26,777,978	25,445,590	1,332,388	(24,463)	25,421,127
Ordinance enforcement	623,855	633,232	593,458	39,774	(580)	592,878
Fire:						
Operations	15,301,181	15,321,180	14,736,587	584,593	(33,325)	14,703,262
Communications	2,379,056	2,428,993	2,301,566	127,427	(17,089)	2,284,477
Building and safety	5,067,105	5,072,413	4,458,216	614,197	(201,090)	4,257,126
Total public safety	50,303,854	50,233,796	47,535,417	2,698,379	(276,547)	47,258,870

City of Dearborn, Michigan

Budgetary Comparison Schedule – General Fund Year Ended June 30, 2007

	Budgeted Amounts		Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
	Original	Final				
Public Works						
Administrative	\$ 499,819	\$ 494,819	\$ 338,706	\$ 156,113	\$ (836)	\$ 337,870
Engineering	3,631,218	3,683,678	3,324,963	358,715	(649,741)	2,675,222
Highways	2,529,229	2,639,592	2,282,085	357,507	(26,465)	2,255,620
Central Garage	2,407,328	2,529,660	2,408,757	120,903	(5,481)	2,403,276
Sanitation	4,950,451	4,807,417	4,739,428	67,989	(81,117)	4,658,311
MIS - Line	471,770	477,527	424,462	53,065	(70)	424,392
Nondepartmental - Street light repair	35,000	35,000	30,256	4,744	(148)	30,108
Total public works	14,524,815	14,667,693	13,548,657	1,119,036	(763,858)	12,784,799
Health and Welfare						
Public information:						
Administrative	553,018	553,018	514,079	38,939	(6,263)	507,816
Photography and micrographics	114,160	114,160	108,813	5,347	(130)	108,683
Health	441,222	455,022	427,759	27,263	(48,386)	379,373
Building and safety - Environmental services	18,462	18,462	14,844	3,618	-	14,844
Total health and welfare	1,126,862	1,140,662	1,065,495	75,167	(54,779)	1,010,716
Recreation and Culture						
Libraries	4,289,528	4,206,120	3,862,508	343,612	(22,033)	3,840,475
Public works	4,069,713	4,074,713	3,588,162	486,551	(94,305)	3,493,857
Recreation:						
Administrative	962,201	911,545	897,292	14,253	-	897,292
Programs	869,986	898,656	815,174	83,482	(4,484)	810,690
Outdoor pools	533,636	528,286	486,419	41,867	(443)	485,976
Community center:						
Admin/Athletics	1,856,299	1,879,472	1,663,355	216,117	(16,332)	1,647,023
Cultural arts	938,103	893,015	839,727	53,288	(13,104)	826,623
Senior services	611,077	607,303	493,800	113,503	-	493,800
Sports arena	792,539	830,539	736,823	93,716	(27,651)	709,172
Historical commission	541,796	477,307	353,499	123,808	(1,196)	352,303
Total recreation and culture	15,464,878	15,306,956	13,736,759	1,570,197	(179,548)	13,557,211
Community Improvement						
Community improvement	522,873	606,873	472,566	134,307	(4,683)	467,883
City plan	389,427	389,427	367,728	21,699	(6)	367,722
Total community improvement	912,300	996,300	840,294	156,006	(4,689)	835,605
Utilities	4,289,219	4,289,219	3,999,449	289,770	-	3,999,449
Capital Outlay	915,216	1,368,691	950,987	417,704	(85,197)	865,790
Total expenditures	107,156,487	107,627,113	98,621,257	9,005,856	(1,777,247)	96,844,010
Other Uses - Transfers out	6,331,169	8,514,905	8,541,903	(26,998)	-	8,541,903
Total expenditures and other uses	\$ 113,487,656	\$ 116,142,018	\$ 107,163,160	\$ 8,978,858	\$ (1,777,247)	\$ 105,385,913

Budgetary Accounting and Accountability

The City's budget is prepared in compliance with the uniform budgeting provisions of Michigan law. Budgets are adopted for all governmental and proprietary funds.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to April 15, the Mayor delivers the proposed budget to the City Council for the fiscal year commencing the following July 1. The budget includes identification of unusual circumstances, a comparative analysis covering the immediate past and the current budgets, together with the proposed budget, and a proposed general appropriations resolution.
2. The proposed budgets are reviewed through a series of meetings with the City Council, Mayor, Finance department, department directors, etc.
3. A public hearing is conducted to obtain taxpayers comments.
4. No later than June 13, the City Council shall pass a general appropriations resolution providing the authority to make expenditures and incur obligations on behalf of the City for the ensuing fiscal year.

Appropriations in the General Fund are controlled at the department level. Expenditures for all other governmental funds are controlled at the fund level. While the legislative budget is adopted at summary levels, administrative control is maintained at detail levels. Management may amend the budget at the detail level within summary constraints. During the fiscal year, it was necessary to make budget amendments.

The City maintains budgetary control through the use of a full encumbrance system. For budgetary purposes, appropriations lapse at fiscal year-end, except for the portion related to encumbered amounts and those amounts approved for carry forward by the City Council.

Budget to actual statements have been prepared in accordance with generally accepted accounting principles with the following exceptions:

- Encumbrances are included as expenditures.
- Project life re-appropriations to the following fiscal year are reported as appropriated reserve carry-forward.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is employed as an extension of the formal budgetary control in the General, Special Revenue and Capital Projects Funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitment will be honored during the subsequent year.

Other Supplemental Information

City of Dearborn, Michigan

Description of Nonmajor Funds Year Ended June 30, 2007

Special Revenue Funds

These funds are used to account for the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. The combined Special Revenue Funds are comprised of the following individual funds:

Major Street and Trunkline Fund and Local Street Fund – Both of these funds are established by state law to account for expenditures of state gas and weight tax collection allocations to the City. Their use is restricted to maintenance and construction of roads and streets and related expenditures. Ten percent of revenue may be expended for non-motorized transportation.

Camp Dearborn Operating Fund – This fund accounts for operation of the City's 626-acre park located near Milford, Michigan in Oakland County. This park is open to residents and their guests and offers a wide range of recreational activities. In FY2007, the operation required a subsidy from the General Fund.

Drug Law Enforcement Fund – This fund is used to account for the proceeds of forfeitures resulting from drug law enforcement activities.

Library Aid Fund – This fund accounts for expenditure of library aid funds allocated to the City from the state. Use is restricted to library purposes.

Community Development Fund – This fund accounts for entitlement funds received through the Federal Community Development Block Grant Program. The City has participated in this program since its enactment by Congress in 1977.

Home Weatherization Fund – This fund accounts for weatherization grant funds received through the state of Michigan to assist eligible residents in weatherizing their homes.

Telecommunications Fund – This fund accounts for expenditure of revenue allocated through cable television franchise fees for the purpose of providing staff assistance to administer the cable television franchise and grant to promote access to the cable television system.

Designated Purposes Fund – This fund accounts for expenditures of various civic projects, which are financed by specific charges for services and by private contributions.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.

City of Dearborn, Michigan

Description of Nonmajor Funds Year Ended June 30, 2007

Enterprise Funds

These funds report operations that provide services to citizens financed primarily by a user charge or activities where the periodic measurement of net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Golf Course Fund – This fund accounts for the operation of Robert Herndon's Dearborn Hills Public Golf Course.

Seniors Apartment Operating Fund – This fund accounts for operation of the City's Housing Department which administers the Senior Citizen Housing Program. The fund also directly accounts for operation of two senior citizen apartment buildings, Hubbard Manor East and Hubbard Manor West, which consist of a total of 351 apartments. Administrative and other costs are billed to the Dearborn Towers Fund and to the Dearborn Housing Commission based on services provided.

Dearborn Towers Fund – This fund accounts for operation of an 88-unit senior citizen apartment building in Clearwater, Florida. The apartment building is intended to provide a Florida retirement home for eligible Dearborn residents.

Internal Service Funds

Internal Service Funds are used to account for the financing of goods or services provided by an activity to other departments, funds or component units of the City on a cost-reimbursement basis.

Equipment Replacement Fund – Computers and related equipment, as well as copiers are purchased by this fund for most city departments. Funding for the equipment is received by charging an annual equipment lease fee to each user department. This fund also accounts for the operation of the City's central storeroom.

Fleet Replacement Fund – Replacement vehicles for general fund departments are purchased from this fund and are funded through annual equipment lease fees charged to the departments.

Workers' Compensation and Employee Insurance Fund – This fund accounts for reserves established to support future expenditures for indemnity claims arising from work-related injuries. The City is self-insured for \$500,000 per occurrence with unlimited excess coverage and uses an insurance reserve method to determine funding requirements. The fund also handles employee life and dental insurance. Life insurance coverage is provided by an outside insurance company. Dental insurance is on a reimbursement basis with Delta Dental.

Fleet and General Liability Insurance Fund – This fund accounts for reserves established for both fleet and general liability insurance and related claims against the City. The City retains the first \$1,000,000 per occurrence. The first layer of insurance is \$5,000,000 per occurrence. The excess layer is \$10,000,000 per occurrence.

Fiduciary Funds

Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and for other funds.

Agency Fund – This fund accounts for deposit of monies held by the City government in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

Imprest Payroll Fund – This fund acts as a payroll-clearing mechanism to aggregate and distribute payroll deductions. Its use relates primarily to internal control and convenience in cash management.

19th District Court – This fund accounts for monies collected by the court as bonds or for eventual distribution to the City as the district control unit or the State of Michigan.

Pension Trust Funds – The City operates three retirement systems, which are accounted for in three separate funds, that cover all full-time employees not covered by the defined contribution plan. These funds include the General Employees' Retirement System Fund (Closed), covering all full-time general employees (excluding sworn police and fire), the Revised Police and Fire (Open) Retirement System Fund, which covers police and fire employees hired since 1956, and the Policemen's and Firemen's (Closed) Retirement System Fund, which covers police and fire employees hired prior to establishment of the revised system.

Retiree Death Benefit Fund – This fund accounts for reserves established to support future expenditures for death benefit claims. The City is self-insured. The fund has had an actuarial valuation that indicated the fund is in sound financial condition.

Postretirement Health Care Fund – This fund accounts for amounts reserved to pay future postretirement health insurance expenses. While primarily set aside for this purpose, resources remain available to the general creditors of the City. Funding is determined by actuarial studies to stabilize budget requirements as a percentage of pay.

City of Dearborn, Michigan

	Nonmajor				
	Major Street & Trunkline Fund	Local Street Fund	Camp Dearborn Operating Fund	Drug Law Enforcement Fund	Library Aid Fund
Assets					
Cash and cash equivalents	\$ 2,469,403	\$ 2,370,465	\$ 2,542,816	\$ 1,693,877	\$ 60,922
Accounts receivable (Net)	17,307	2,513	11,108	-	-
Property taxes receivable	-	-	-	-	-
Accrued interest receivable	25,977	24,936	16,160	17,524	641
Due from other funds	-	100,708	-	-	-
Due from other governments	816,398	232,274	-	-	38,489
Prepaid items	-	-	7,459	-	-
Inventories	-	-	9,052	-	-
Investments, long-term	1,614,491	1,549,806	-	1,089,147	39,831
Total assets	\$ 4,943,576	\$ 4,280,702	\$ 2,586,595	\$ 2,800,548	\$ 139,883
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 242,527	\$ 338,617	\$ 184,713	\$ 5,779	\$ 4,471
Accrued liabilities	-	-	75,453	-	-
Deposits/refunds payable	-	-	212,200	-	-
Due to other funds	100,708	-	7,459	89,820	-
Due to other governments	-	-	1,278	-	-
Debt obligations	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Claims payable	-	-	-	-	-
Total liabilities	343,235	338,617	481,103	95,599	4,471
Fund Balances:					
Reserve for encumbrances	1,946,227	2,634,304	72,830	44,454	5,646
Reserve for prepaid items	-	-	7,459	-	-
Reserve for debt service	-	-	-	-	-
Unreserved - Designated	2,428,424	842,911	1,192,001	1,793,114	28,280
Unreserved - Undesignated	225,690	464,870	833,202	867,381	101,486
Total fund balances	4,600,341	3,942,085	2,105,492	2,704,949	135,412
Total liabilities and fund balances	\$ 4,943,576	\$ 4,280,702	\$ 2,586,595	\$ 2,800,548	\$ 139,883

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

Special Revenue Funds

Community Development Fund	Home Weatherization Fund	Tele- communications Fund	Designated Purposes Fund	Total Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 456,730	\$ 2,904,812	\$ 12,499,025	\$ 208,163	\$ 12,707,188
-	-	176,794	50,442	258,164	-	258,164
-	-	-	-	-	15,526	15,526
-	-	4,803	13,942	103,983	1,324	105,307
-	-	-	-	100,708	-	100,708
232,257	-	-	-	1,319,418	74,234	1,393,652
-	-	781	-	8,240	-	8,240
-	-	-	-	9,052	-	9,052
-	-	298,479	-	4,591,754	-	4,591,754
<u>\$ 232,257</u>	<u>\$ -</u>	<u>\$ 937,587</u>	<u>\$ 2,969,196</u>	<u>\$ 18,890,344</u>	<u>\$ 299,247</u>	<u>\$ 19,189,591</u>
\$ 47,714	\$ -	\$ 555	\$ 49,573	\$ 873,949	\$ -	\$ 873,949
98	-	3,720	251	79,522	-	79,522
400	-	-	180,823	393,423	-	393,423
183,750	-	6,325	-	388,062	-	388,062
-	-	28	120	1,426	-	1,426
-	-	-	-	-	153,442	153,442
295	-	-	-	295	17,262	17,557
-	-	-	-	-	18,507	18,507
<u>232,257</u>	<u>-</u>	<u>10,628</u>	<u>230,767</u>	<u>1,736,677</u>	<u>189,211</u>	<u>1,925,888</u>
598,053	-	-	83,762	5,385,276	-	5,385,276
-	-	781	-	8,240	-	8,240
-	-	-	-	-	110,036	110,036
-	-	-	2,654,667	8,939,397	-	8,939,397
(598,053)	-	926,178	-	2,820,754	-	2,820,754
<u>-</u>	<u>-</u>	<u>926,959</u>	<u>2,738,429</u>	<u>17,153,667</u>	<u>110,036</u>	<u>17,263,703</u>
<u>\$ 232,257</u>	<u>\$ -</u>	<u>\$ 937,587</u>	<u>\$ 2,969,196</u>	<u>\$ 18,890,344</u>	<u>\$ 299,247</u>	<u>\$ 19,189,591</u>

City of Dearborn, Michigan

	Nonmajor				
	Major Street & Trunkline Fund	Local Street Fund	Camp Dearborn Operating Fund	Drug Law Enforcement Fund	Library Aid Fund
Revenues					
Taxes, assessments and penalties on taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues:					
State sources	4,886,974	1,776,662	-	-	77,286
Federal sources	14,059	-	-	-	-
Charges for services	-	-	258,598	-	-
Fines and forfeits	-	-	310	682,844	-
Rents and royalties	-	-	1,469,935	-	-
Miscellaneous revenue	60,464	2,123	35,150	39,511	-
Private source contributions	3,813	-	-	-	-
Investment income	309,239	161,633	100,162	139,221	6,378
Total revenues	5,274,549	1,940,418	1,864,155	861,576	83,664
Expenditures					
General government	-	-	-	-	-
Public safety	-	-	-	515,991	-
Public works	5,272,085	5,201,722	-	-	-
Health and welfare	-	-	-	-	-
Recreation and culture	-	-	1,503,833	-	22,859
Community improvement	-	-	-	-	-
Utilities	-	-	264,747	37,962	-
Capital outlay	-	-	62,768	162,345	21,137
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	5,272,085	5,201,722	1,831,348	716,298	43,996
Revenues Over (Under) Expenditures	2,464	(3,261,304)	32,807	145,278	39,668
Other Financing Sources (Uses)					
Proceeds from the issuance of long-term debt	-	-	-	-	-
Bond premium and other	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-
Transfers in	-	3,801,301	525,000	-	-
Transfers out	(2,787,250)	(7,440)	-	(413,649)	(57,500)
Total other financing sources (uses)	(2,787,250)	3,793,861	525,000	(413,649)	(57,500)
Net Change in Fund Balances	(2,784,786)	532,557	557,807	(268,371)	(17,832)
Fund Balances - Beginning of Year	7,385,127	3,409,528	1,547,685	2,973,320	153,244
Fund Balances - End of Year	\$ 4,600,341	\$ 3,942,085	\$ 2,105,492	\$ 2,704,949	\$ 135,412

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds Year Ended June 30, 2007

Special Revenue Funds

Community Development Fund	Home Weatherization Fund	Tele- communications Fund	Designated Purposes Fund	Total Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,362,115	\$ 2,362,115
-	10,668	-	50	6,751,640	-	6,751,640
2,708,685	26	-	-	2,722,770	-	2,722,770
-	-	-	94,121	352,719	-	352,719
-	-	-	-	683,154	-	683,154
-	-	656,340	-	2,126,275	-	2,126,275
162,539	-	4,905	63,573	368,265	1,489	369,754
-	-	-	143,476	147,289	-	147,289
-	-	33,408	95,159	845,200	159,587	1,004,787
<u>2,871,224</u>	<u>10,694</u>	<u>694,653</u>	<u>396,379</u>	<u>13,997,312</u>	<u>2,523,191</u>	<u>16,520,503</u>
-	-	-	54,572	54,572	6,529	61,101
-	-	-	40,698	556,689	-	556,689
-	-	-	6,039	10,479,846	-	10,479,846
-	-	-	6,309	6,309	-	6,309
-	-	438,324	468,831	2,433,847	-	2,433,847
1,098,567	10,694	-	22	1,109,283	-	1,109,283
-	-	-	-	302,709	-	302,709
-	-	-	-	246,250	-	246,250
-	-	-	-	-	2,490,000	2,490,000
-	-	-	-	-	999,197	999,197
<u>1,098,567</u>	<u>10,694</u>	<u>438,324</u>	<u>576,471</u>	<u>15,189,505</u>	<u>3,495,726</u>	<u>18,685,231</u>
1,772,657	-	256,329	(180,092)	(1,192,193)	(972,535)	(2,164,728)
-	-	-	-	-	9,840,000	9,840,000
-	-	-	-	-	285,831	285,831
-	-	-	-	-	(10,125,831)	(10,125,831)
-	-	-	91,636	4,417,937	923,325	5,341,262
<u>(1,772,657)</u>	<u>-</u>	<u>(88,188)</u>	<u>(14,713)</u>	<u>(5,141,397)</u>	<u>-</u>	<u>(5,141,397)</u>
<u>(1,772,657)</u>	<u>-</u>	<u>(88,188)</u>	<u>76,923</u>	<u>(723,460)</u>	<u>923,325</u>	<u>199,865</u>
-	-	168,141	(103,169)	(1,915,653)	(49,210)	(1,964,863)
-	-	758,818	2,841,598	19,069,320	159,246	19,228,566
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 926,959</u>	<u>\$ 2,738,429</u>	<u>\$ 17,153,667</u>	<u>\$ 110,036</u>	<u>\$ 17,263,703</u>

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Major Street & Trunkline Fund Year Ended June 30, 2007

	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Intergovernmental revenues:					
State sources	\$ 5,152,372	\$ 4,886,974	\$ (265,398)	\$ -	\$ 4,886,974
Federal sources	14,059	14,059	-	-	14,059
Miscellaneous revenue	-	60,464	60,464	-	60,464
Private source contributions	-	3,813	3,813	-	3,813
Investment income	275,000	309,239	34,239	-	309,239
Total revenues	5,441,431	5,274,549	(166,882)	-	5,274,549
Expenditures - Public works	9,089,143	8,599,170	489,973	(3,327,085)	5,272,085
Revenues Over (Under) Expenditures	(3,647,712)	(3,324,621)	323,091	3,327,085	2,464
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	(2,806,585)	(2,787,250)	19,335	-	(2,787,250)
Total other financing sources (uses)	(2,806,585)	(2,787,250)	19,335	-	(2,787,250)
Net Change in Fund Balances	(6,454,297)	(6,111,871)	342,426	3,327,085	(2,784,786)
Fund Balances - Beginning of Year	7,385,127	7,385,127	-	-	7,385,127
Reserved for Encumbrances	-	3,327,085	3,327,085	(3,327,085)	-
Fund Balances - End of Year	\$ 930,830	\$ 4,600,341	\$ 3,669,511	\$ -	\$ 4,600,341

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Local Street Fund Year Ended June 30, 2007

	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Intergovernmental revenues:					
State sources	\$ 1,710,000	\$ 1,776,662	\$ 66,662	\$ -	\$ 1,776,662
Miscellaneous revenue	-	2,123	2,123	-	2,123
Investment income	72,000	161,633	89,633	-	161,633
Total revenues	1,782,000	1,940,418	158,418	-	1,940,418
Expenditures - Public works	8,915,267	7,836,026	1,079,241	(2,634,304)	5,201,722
Revenues Over (Under) Expenditures	(7,133,267)	(5,895,608)	1,237,659	2,634,304	(3,261,304)
Other Financing Sources (Uses)					
Transfers in	4,013,190	3,801,301	(211,889)	-	3,801,301
Transfers out	(57,512)	(7,440)	50,072	-	(7,440)
Total other financing sources (uses)	3,955,678	3,793,861	(161,817)	-	3,793,861
Net Change in Fund Balances	(3,177,589)	(2,101,747)	1,075,842	2,634,304	532,557
Fund Balances - Beginning of Year	3,409,528	3,409,528	-	-	3,409,528
Reserved for Encumbrances	-	2,634,304	2,634,304	(2,634,304)	-
Fund Balances - End of Year	\$ 231,939	\$ 3,942,085	\$ 3,710,146	\$ -	\$ 3,942,085

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Camp Dearborn Operating Fund Year Ended June 30, 2007

	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Charges for Services:					
Use and admission	\$ 268,500	\$ 204,583	\$ (63,917)	\$ -	\$ 204,583
Sales	87,600	54,015	(33,585)	-	54,015
Fines and forfeits	2,500	310	(2,190)	-	310
Rents and royalties:					
Golf course	167,512	167,520	8	-	167,520
Oil exploration	270,000	166,673	(103,327)	-	166,673
Facilities	1,106,000	1,135,742	29,742	-	1,135,742
Miscellaneous revenue	33,000	35,150	2,150	-	35,150
Investment income	62,000	100,162	38,162	-	100,162
Total revenues	1,997,112	1,864,155	(132,957)	-	1,864,155
Expenditures					
Recreation and culture	1,688,990	1,535,477	153,513	(31,644)	1,503,833
Utilities	285,700	264,747	20,953	-	264,747
Capital outlay	1,277,108	102,483	1,174,625	(39,715)	62,768
Total expenditures	3,251,798	1,902,707	1,349,091	(71,359)	1,831,348
Revenues Over (Under) Expenditures	(1,254,686)	(38,552)	1,216,134	71,359	32,807
Other Financing Sources (Uses)					
Transfers in	525,000	525,000	-	-	525,000
Transfers out	-	-	-	-	-
Total other financing sources (uses)	525,000	525,000	-	-	525,000
Net Change in Fund Balances	(729,686)	486,448	1,216,134	71,359	557,807
Fund Balances - Beginning of Year	1,547,685	1,547,685	-	-	1,547,685
Reserved for Encumbrances	-	71,359	71,359	(71,359)	-
Fund Balances - End of Year	\$ 817,999	\$ 2,105,492	\$ 1,287,493	\$ -	\$ 2,105,492

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Drug Law Enforcement Fund Year Ended June 30, 2007

	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Fines and forfeits	\$ -	\$ 682,844	\$ 682,844	\$ -	\$ 682,844
Miscellaneous revenue	-	39,511	39,511	-	39,511
Investment income	111,000	139,221	28,221	-	139,221
Total revenues	111,000	861,576	750,576	-	861,576
Expenditures					
Public safety	594,442	531,660	62,782	(15,669)	515,991
Utilities	39,000	37,962	1,038	-	37,962
Capital outlay	225,735	191,130	34,605	(28,785)	162,345
Total expenditures	859,177	760,752	98,425	(44,454)	716,298
Revenues Over (Under) Expenditures	(748,177)	100,824	849,001	44,454	145,278
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	(780,526)	(413,649)	366,877	-	(413,649)
Total other financing sources (uses)	(780,526)	(413,649)	366,877	-	(413,649)
Net Change in Fund Balances	(1,528,703)	(312,825)	1,215,878	44,454	(268,371)
Fund Balances - Beginning of Year	2,973,320	2,973,320	-	-	2,973,320
Reserved for Encumbrances	-	44,454	44,454	(44,454)	-
Fund Balances - End of Year	<u>\$ 1,444,617</u>	<u>\$ 2,704,949</u>	<u>\$ 1,260,332</u>	<u>\$ -</u>	<u>\$ 2,704,949</u>

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Library Aid Fund Year Ended June 30, 2007

	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Intergovernment revenues:					
State sources	\$ 70,358	\$ 77,286	\$ 6,928	\$ -	\$ 77,286
Investment income	7,300	6,378	(922)	-	6,378
Total revenues	77,658	83,664	6,006	-	83,664
Expenditures					
Recreation and culture	38,454	23,981	14,473	(1,122)	22,859
Capital outlay	29,845	25,661	4,184	(4,524)	21,137
Total expenditures	68,299	49,642	18,657	(5,646)	43,996
Revenues Over (Under) Expenditures	9,359	34,022	24,663	5,646	39,668
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	(57,500)	(57,500)	-	-	(57,500)
Total other financing sources (uses)	(57,500)	(57,500)	-	-	(57,500)
Net Change in Fund Balances	(48,141)	(23,478)	24,663	5,646	(17,832)
Fund Balances - Beginning of Year	153,244	153,244	-	-	153,244
Reserved for Encumbrances	-	5,646	5,646	(5,646)	-
Fund Balances - End of Year	<u>\$ 105,103</u>	<u>\$ 135,412</u>	<u>\$ 30,309</u>	<u>\$ -</u>	<u>\$ 135,412</u>

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Community Development Fund Year Ended June 30, 2007

	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Intergovernmental revenues:					
Federal sources	\$ 4,525,658	\$ 2,708,685	\$ (1,816,973)	\$ -	\$ 2,708,685
Miscellaneous revenue	186,939	162,539	(24,400)	-	162,539
Total revenues	4,712,597	2,871,224	(1,841,373)	-	2,871,224
Expenditures					
Community improvement	1,985,735	1,129,317	856,418	(30,750)	1,098,567
Total expenditures	1,985,735	1,129,317	856,418	(30,750)	1,098,567
Revenues Over (Under) Expenditures	2,726,862	1,741,907	(984,955)	30,750	1,772,657
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	(2,726,862)	(2,339,960)	386,902	567,303	(1,772,657)
Total other financing sources (uses)	(2,726,862)	(2,339,960)	386,902	567,303	(1,772,657)
Net Change in Fund Balances	-	(598,053)	(598,053)	598,053	-
Fund Balances - Beginning of Year	-	-	-	-	-
Reserved for Encumbrances	-	598,053	598,053	(598,053)	-
Fund Balances - End of Year	\$ -	\$ -	\$ -	\$ -	\$ -

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Home Weatherization Fund Year Ended June 30, 2007

	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Intergovernmental revenues:					
Federal sources	\$ 29	\$ 26	\$ (3)	\$ -	\$ 26
State sources	10,669	10,668	(1)	-	10,668
Total revenues	10,698	10,694	(4)	-	10,694
Expenditures - Community improvement	10,698	10,694	4	-	10,694
Revenues Over (Under) Expenditures	-	-	-	-	-
Fund Balances - Beginning of Year	-	-	-	-	-
Reserved for Encumbrances	-	-	-	-	-
Fund Balances - End of Year	\$ -	\$ -	\$ -	\$ -	\$ -

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Telecommunications Fund Year Ended June 30, 2007

	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Rents and royalties	\$ 565,000	\$ 656,340	\$ 91,340	\$ -	\$ 656,340
Miscellaneous revenue	-	4,905	4,905	-	4,905
Investment income	19,600	33,408	13,808	-	33,408
Total revenues	584,600	694,653	110,053	-	694,653
Expenditures					
Recreation and culture	568,551	438,324	130,227	-	438,324
Capital outlay	23,000	-	23,000	-	-
Total expenditures	591,551	438,324	153,227	-	438,324
Revenues Over (Under) Expenditures	(6,951)	256,329	263,280	-	256,329
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	(142,300)	(88,188)	54,112	-	(88,188)
Total other financing sources (uses)	(142,300)	(88,188)	54,112	-	(88,188)
Net Change in Fund Balances	(149,251)	168,141	317,392	-	168,141
Fund Balances - Beginning of Year	758,818	758,818	-	-	758,818
Reserved for Encumbrances	-	-	-	-	-
Fund Balances - End of Year	<u>\$ 609,567</u>	<u>\$ 926,959</u>	<u>\$ 317,392</u>	<u>\$ -</u>	<u>\$ 926,959</u>

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Designated Purposes Fund Year Ended June 30, 2007

	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Intergovernmental revenues:					
State sources	\$ 50	\$ 50	\$ -	\$ -	\$ 50
Charges for services	112,424	94,121	(18,303)	-	94,121
Miscellaneous revenue	63,573	63,573	-	-	63,573
Investment income	95,159	95,159	-	-	95,159
Private source contributions	143,477	143,476	(1)	-	143,476
Total revenues	414,683	396,379	(18,304)	-	396,379
Expenditures					
General government	234,168	55,890	178,278	(1,318)	54,572
Public safety	123,563	46,192	77,371	(5,494)	40,698
Public works	217,898	6,039	211,859	-	6,039
Health and welfare	7,094	6,309	785	-	6,309
Recreation and culture	2,751,233	545,781	2,205,452	(76,950)	468,831
Community improvement	23	22	1	-	22
Capital outlay	475	-	475	-	-
Total expenditures	3,334,454	660,233	2,674,221	(83,762)	576,471
Revenues Over (Under) Expenditures	(2,919,771)	(263,854)	2,655,917	83,762	(180,092)
Other Financing Sources (Uses)					
Transfers in	92,886	91,636	(1,250)	-	91,636
Transfers out	(14,713)	(14,713)	-	-	(14,713)
Total other financing sources (uses)	78,173	76,923	(1,250)	-	76,923
Net Change in Fund Balances	(2,841,598)	(186,931)	2,654,667	83,762	(103,169)
Fund Balances - Beginning of Year	2,841,598	2,841,598	-	-	2,841,598
Reserved for Encumbrances	-	83,762	83,762	(83,762)	-
Fund Balances - End of Year	\$ -	\$ 2,738,429	\$ 2,738,429	\$ -	\$ 2,738,429

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Debt Service Fund Year Ended June 30, 2007

	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Taxes, assessments and penalties on taxes	\$ 2,341,915	\$ 2,362,115	\$ 20,200	\$ -	\$ 2,362,115
Investment income	135,120	159,587	24,467	-	159,587
Miscellaneous income	-	1,489	1,489	-	1,489
Total revenues	2,477,035	2,523,191	46,156	-	2,523,191
Expenditures					
General government	6,553	6,529	24	-	6,529
Debt service:					
Principal	2,490,000	2,490,000	-	-	2,490,000
Interest and fiscal charges	999,197	999,197	-	-	999,197
Total expenditures	3,495,750	3,495,726	24	-	3,495,726
Revenues Over (Under) Expenditures	(1,018,715)	(972,535)	46,180	-	(972,535)
Other Financing Sources (Uses)					
Proceeds from issuance of long-term debt	-	9,840,000	(9,840,000)	-	9,840,000
Bond premium and other	-	285,831	(285,831)	-	285,831
Payment to refunded bond escrow agent	-	(10,125,831)	10,125,831	-	(10,125,831)
Transfers in	923,550	923,325	225	-	923,325
Transfers out	-	-	-	-	-
Total other financing sources (uses)	923,550	923,325	225	-	923,325
Net Change in Fund Balances	(95,165)	(49,210)	(45,955)	-	(49,210)
Fund Balances - Beginning of Year	159,246	159,246	-	-	159,246
Fund Balances - End of Year	\$ 64,081	\$ 110,036	45,955	\$ -	\$ 110,036

City of Dearborn, Michigan

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Capital Projects Fund Year Ended June 30, 2007

	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Accounting Basis Adjustments	Actual
Revenues					
Intergovernmental revenues:					
State sources	\$ 121,128	\$ -	\$ (121,128)	\$ -	\$ -
Federal sources	484,513	-	(484,513)	-	-
Miscellaneous revenue	89,801	319,122	229,321	-	319,122
Private source contributions	-	11,914	11,914	-	11,914
Investment income	431,000	482,194	51,194	-	482,194
Total revenues	1,126,442	813,230	(313,212)	-	813,230
Expenditures					
Capital outlay	16,780,723	5,558,466	11,222,257	(2,853,940)	2,704,526
Debt service:					
Principal	550,000	550,000	-	-	550,000
Interest and fiscal charges	243,383	243,383	-	-	243,383
Total expenditures	17,574,106	6,351,849	11,222,257	(2,853,940)	3,497,909
Revenues Over (Under) Expenditures	(16,447,664)	(5,538,619)	10,909,045	2,853,940	(2,684,679)
Other Financing Sources (Uses)					
Transfers in	6,943,921	6,281,790	(662,131)	-	6,281,790
Transfers out	-	-	-	-	-
Total other financing sources (uses)	6,943,921	6,281,790	(662,131)	-	6,281,790
Net Change in Fund Balances	(9,503,743)	743,171	10,246,914	2,853,940	3,597,111
Fund Balances - Beginning of Year	18,151,804	18,151,804	-	-	18,151,804
Reserved for Encumbrances	-	2,853,940	2,853,940	(2,853,940)	-
Fund Balances - End of Year	<u>\$ 8,648,061</u>	<u>\$ 21,748,915</u>	<u>\$ 13,100,854</u>	<u>\$ -</u>	<u>\$ 21,748,915</u>

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City of Dearborn, Michigan

Combining Statement of Net Assets Nonmajor Enterprise Funds June 30, 2007

	Golf Course	Seniors Apartment Operating Fund	Dearborn Towers Fund	Total Nonmajor Enterprise Funds
Assets				
Current assets:				
Cash and cash equivalents	\$ 195,355	\$ 4,531,292	\$ 607,847	\$ 5,334,494
Accounts receivable (Net)	-	4,809	-	4,809
Accrued interest receivable	2,204	47,664	6,363	56,231
Due from other governments	-	38,760	-	38,760
Prepaid items	3,925	44,094	69,476	117,495
Inventories	57,829	-	-	57,829
Total current assets	259,313	4,666,619	683,686	5,609,618
Noncurrent assets:				
Restricted cash and investments:				
Debt service	156,370	-	-	156,370
Investments, long-term	-	2,962,353	395,448	3,357,801
Capital assets (Net)	3,270,799	4,168,197	710,887	8,149,883
Total noncurrent assets	3,427,169	7,130,550	1,106,335	11,664,054
Total assets	3,686,482	11,797,169	1,790,021	17,273,672
Liabilities				
Current liabilities:				
Accounts payable	41,346	42,015	23,644	107,005
Accrued interest payable	19,703	-	-	19,703
Accrued liabilities	26,226	18,995	-	45,221
Deposits/refunds payable	108,357	129,200	36,789	274,346
Due to other governments	4,900	-	-	4,900
Due to other funds	3,925	17,984	-	21,909
Deferred revenue	24,127	2,064	8,556	34,747
Current portion of long-term debt	205,000	-	-	205,000
Total current liabilities	433,584	210,258	68,989	712,831
Noncurrent liabilities:				
Other liabilities	28,221	140,464	-	168,685
Long-term debt, net of current portion	2,111,600	-	-	2,111,600
Advance from other funds	261,500	-	-	261,500
Total noncurrent liabilities	2,401,321	140,464	-	2,541,785
Total liabilities	2,834,905	350,722	68,989	3,254,616
Net Assets				
Invested in capital assets, net of debt	692,699	4,168,197	710,887	5,571,783
Restricted for:				
Debt Service	156,370	-	-	156,370
Unrestricted	2,508	7,278,250	1,010,145	8,290,903
Total net assets	\$ 851,577	\$ 11,446,447	\$ 1,721,032	\$ 14,019,056

City of Dearborn, Michigan

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets Nonmajor Enterprise Funds Year Ended June 30, 2007

	Golf Course	Seniors Apartment Operating Fund	Dearborn Towers Fund	Total Nonmajor Enterprise Funds
Operating Revenues				
Sales	\$ 626,147	\$ -	\$ -	\$ 626,147
Charges for services	484,154	867,930	-	1,352,084
Rents and royalties	212,203	1,814,414	629,323	2,655,940
Miscellaneous	92,378	26,511	14,577	133,466
Total operating revenues	<u>1,414,882</u>	<u>2,708,855</u>	<u>643,900</u>	<u>4,767,637</u>
Operating Expenses				
Personnel services	710,082	1,496,765	-	2,206,847
Contractual services	58,593	95,681	179,257	333,531
Insurance and bonds	3,750	70,079	90,477	164,306
Utilities	46,122	450,422	104,280	600,824
Repairs and maintenance	6,194	218,230	129,581	354,005
Supplies	70,055	45,249	51,065	166,369
Cost of sales	179,180	-	-	179,180
Cost of rentals	3,276	2,177	-	5,453
Taxes	-	-	175,416	175,416
Depreciation	274,207	246,632	30,964	551,803
Other	56,530	6,030	2,266	64,826
Total operating expenses	<u>1,407,989</u>	<u>2,631,265</u>	<u>763,306</u>	<u>4,802,560</u>
Operating Income (Loss)	6,893	77,590	(119,406)	(34,923)
Nonoperating Revenues (Expenses)				
Investment income	11,202	365,023	50,507	426,732
Other interest	(149,386)	-	-	(149,386)
Total nonoperating revenues (expenses)	<u>(138,184)</u>	<u>365,023</u>	<u>50,507</u>	<u>277,346</u>
Income (Loss) before Transfers	(131,291)	442,613	(68,899)	242,423
Transfers				
Transfers in	135,000	-	-	135,000
Transfers out	-	-	-	-
Net transfers	<u>135,000</u>	<u>-</u>	<u>-</u>	<u>135,000</u>
Net Income (Loss)	3,709	442,613	(68,899)	377,423
Net Assets - Beginning of Year	<u>847,868</u>	<u>11,003,834</u>	<u>1,789,931</u>	<u>13,641,633</u>
Net Assets - End of Year	<u>\$ 851,577</u>	<u>\$ 11,446,447</u>	<u>\$ 1,721,032</u>	<u>\$ 14,019,056</u>

City of Dearborn, Michigan

Combining Statement of Cash Flows Nonmajor Enterprise Funds Year Ended June 30, 2007

	Golf Course	Seniors Apartment Operating Fund	Dearborn Towers Fund	Total Nonmajor Enterprise Funds
Cash Flows from Operating Activities				
Receipts from customers	\$ 1,310,494	\$ 2,671,882	\$ 637,234	\$ 4,619,610
Payments to suppliers	(463,079)	(968,397)	(769,420)	(2,200,896)
Payments to employees	(703,255)	(1,465,816)	-	(2,169,071)
Other receipts (payments)	148,908	20,481	12,311	181,700
Net cash provided (used) by operating activities	295,635	276,134	(119,875)	451,894
Cash Flows from Noncapital Financing Activities				
Repayment of advance from other funds	(38,167)	-	-	(38,167)
Operating transfers in	135,000	-	-	135,000
Operating transfers out	-	-	-	-
Net cash provided by noncapital financing activities	96,833	-	-	96,833
Cash Flows from Capital and Related Financing Activities				
Acquisition and construction of capital assets	(28,995)	(9,681)	-	(38,676)
Principal paid on debt	(178,200)	-	-	(178,200)
Interest paid on debt	(151,093)	-	-	(151,093)
Net cash provided (used) by capital and related financing activities	(358,288)	(9,681)	-	(367,969)
Cash Flows from Investing Activities				
Net sale (purchase) of investments	-	(352,962)	7,122	(345,840)
Investment income	11,953	383,629	54,368	449,950
Net cash provided (used) by investing activities	11,953	30,667	61,490	104,110
Net Increase (Decrease) in Cash and Cash Equivalents	46,133	297,120	(58,385)	284,868
Cash and Cash Equivalents - Beginning of Year	305,592	4,234,172	666,232	5,205,996
Cash and Cash Equivalents - End of Year	<u>\$ 351,725</u>	<u>\$ 4,531,292</u>	<u>\$ 607,847</u>	<u>\$ 5,490,864</u>
Cash and Cash Equivalents - Unrestricted	\$ 195,355	\$ 4,531,292	\$ 607,847	\$ 5,334,494
Cash and Cash Equivalents - Restricted	156,370	-	-	156,370
Cash and Cash Equivalents - End of Year	<u>\$ 351,725</u>	<u>\$ 4,531,292</u>	<u>\$ 607,847</u>	<u>\$ 5,490,864</u>

City of Dearborn, Michigan

Combining Statement of Cash Flows Nonmajor Enterprise Funds Year Ended June 30, 2007

	Golf Course	Seniors Apartment Operating Fund	Dearborn Towers Fund	Total Nonmajor Enterprise Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 6,893	\$ 77,590	\$ (119,406)	\$ (34,923)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	274,207	246,632	30,964	551,803
Change in assets and liabilities:				
Accounts receivable	320	28,847	-	29,167
Due from other governments	-	(38,760)	-	(38,760)
Prepaid items	(68)	(3,995)	(26,545)	(30,608)
Inventories	2,759	-	-	2,759
Accounts payable	16,167	(54,487)	(12,799)	(51,119)
Accrued liabilities	(1,032)	(28,077)	-	(29,109)
Customer deposits	(15,967)	(637)	848	(15,756)
Accrued vacation and sick leave	6,827	30,949	-	37,776
Due to other funds	2,567	17,984	-	20,551
Due to other governments	(675)	-	-	(675)
Deferred revenue	3,637	88	7,063	10,788
Net cash provided (used) by operating activities	<u>\$ 295,635</u>	<u>\$ 276,134</u>	<u>\$ (119,875)</u>	<u>\$ 451,894</u>

City of Dearborn, Michigan

Combining Statement of Net Assets Internal Service Funds June 30, 2007

	Equipment Replacement Fund	Fleet Replacement Fund	Workers' Compensation and Employee Insurance Fund	Fleet & General Liability Insurance Fund	Total
Assets					
Current assets:					
Cash and cash equivalents	\$ 1,653,351	\$ 1,861,652	\$ 3,164,521	\$ 5,673,334	\$ 12,352,858
Accounts receivable (Net)	-	-	11,158	-	11,158
Accrued interest receivable	10,796	19,584	32,433	35,735	98,548
Prepaid items	-	-	-	982,013	982,013
Inventories	21,947	-	-	-	21,947
Total current assets	<u>1,686,094</u>	<u>1,881,236</u>	<u>3,208,112</u>	<u>6,691,082</u>	<u>13,466,524</u>
Noncurrent assets:					
Restricted cash and investments:					
Debt service	43,881	-	-	-	43,881
Investment, long-term	-	1,217,144	2,015,674	-	3,232,818
Property, Plant and Equipment - net	<u>719,266</u>	<u>6,680,246</u>	<u>-</u>	<u>-</u>	<u>7,399,512</u>
Total noncurrent assets	<u>763,147</u>	<u>7,897,390</u>	<u>2,015,674</u>	<u>-</u>	<u>10,676,211</u>
Total assets	<u>2,449,241</u>	<u>9,778,626</u>	<u>5,223,786</u>	<u>6,691,082</u>	<u>24,142,735</u>
Liabilities					
Current liabilities:					
Accounts payable	15,444	70,808	92,868	5,273	184,393
Accrued interest payable	1,381	-	-	-	1,381
Due to other governments	-	-	-	689,919	689,919
Current portion of long-term debt	<u>505,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>505,000</u>
Total current liabilities	<u>521,825</u>	<u>70,808</u>	<u>92,868</u>	<u>695,192</u>	<u>1,380,693</u>
Noncurrent liabilities:					
Claims payable	-	-	2,228,221	1,421,443	3,649,664
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>2,228,221</u>	<u>1,421,443</u>	<u>3,649,664</u>
Total liabilities	<u>521,825</u>	<u>70,808</u>	<u>2,321,089</u>	<u>2,116,635</u>	<u>5,030,357</u>
Net Assets					
Invested in capital assets, net of debt	719,266	6,680,246	-	-	7,399,512
Unrestricted	<u>1,208,150</u>	<u>3,027,572</u>	<u>2,902,697</u>	<u>4,574,447</u>	<u>11,712,866</u>
Total net assets	<u>\$ 1,927,416</u>	<u>\$ 9,707,818</u>	<u>\$ 2,902,697</u>	<u>\$ 4,574,447</u>	<u>\$ 19,112,378</u>

City of Dearborn, Michigan

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets Internal Service Funds Year Ended June 30, 2007

	Equipment Replacement Fund	Fleet Replacement Fund	Workers' Compensation and Employee Insurance Fund	Fleet & General Liability Insurance Fund	Total
Operating Revenues					
Rents and royalties	\$ 789,964	\$ 1,779,126	\$ -	\$ -	\$ 2,569,090
City contributions for insurance premiums	-	-	1,150,506	1,326,630	2,477,136
Miscellaneous	3,000	189,412	1,414,347	-	1,606,759
Total operating revenues	<u>792,964</u>	<u>1,968,538</u>	<u>2,564,853</u>	<u>1,326,630</u>	<u>6,652,985</u>
Operating Expenses					
Contractual services	-	-	1,154,438	74,191	1,228,629
Cost of sales	5,483	13,445	-	-	18,928
Depreciation	221,359	1,328,368	-	-	1,549,727
Insurance and bonds	-	-	108,700	948,300	1,057,000
Insurance benefits	-	-	59,605	-	59,605
Claims and judgments	-	-	37,139	378,284	415,423
Other	-	-	604	70,421	71,025
Total operating expenses	<u>226,842</u>	<u>1,341,813</u>	<u>1,360,486</u>	<u>1,471,196</u>	<u>4,400,337</u>
Operating Income (Loss)	566,122	626,725	1,204,367	(144,566)	2,252,648
Nonoperating Revenues (Expenses)					
Investment income	86,266	186,276	236,992	301,863	811,397
Other interest	(36,639)	-	-	-	(36,639)
Loss on disposal of assets	12,668	(54,898)	-	-	(42,230)
Total nonoperating revenues (expenses)	<u>62,295</u>	<u>131,378</u>	<u>236,992</u>	<u>301,863</u>	<u>732,528</u>
Income (Loss) before Operating Transfers	628,417	758,103	1,441,359	157,297	2,985,176
Transfers					
Transfers in	-	-	-	500,000	500,000
Transfers out	-	(1,190,922)	-	-	(1,190,922)
Net transfers	<u>-</u>	<u>(1,190,922)</u>	<u>-</u>	<u>500,000</u>	<u>(690,922)</u>
Net Income (Loss)	628,417	(432,819)	1,441,359	657,297	2,294,254
Net Assets - Beginning of Year	1,298,999	10,140,637	1,461,338	3,917,150	16,818,124
Net Assets - End of Year	<u>\$ 1,927,416</u>	<u>\$ 9,707,818</u>	<u>\$ 2,902,697</u>	<u>\$ 4,574,447</u>	<u>\$ 19,112,378</u>

City of Dearborn, Michigan

	Equipment Replacement Fund	Fleet Replacement Fund
Cash Flows from Operating Activities		
Receipts from customers	\$ 789,964	\$ 1,779,126
Payments to suppliers	(104,145)	(653,066)
Internal activity	-	-
Claims paid	-	-
Other receipts (payments)	3,000	189,412
Net cash provided (used) by operating activities	688,819	1,315,472
Cash Flows from Noncapital Financing Activities		
Transfers in	-	-
Transfers out	-	(174,049)
Net cash provided (used) by noncapital financing activities	-	(174,049)
Cash Flows from Capital and Related Financing Activities		
Principal paid on debt	(500,000)	-
Prepaid interest on debt	(38,007)	-
Proceeds on sales of capital assets	12,668	-
Acquisition and construction of capital assets	(23,495)	(2,643,242)
Net cash provided (used) by capital and related financing activities	(548,834)	(2,643,242)
Cash Flows from Investing Activities		
Net sale (purchase) of investments	-	393,380
Investment income	90,004	209,022
Net cash provided (used) by investing activities	90,004	602,402
Net Increase (Decrease) in Cash and Cash Equivalents	229,989	(899,417)
Cash and Cash Equivalents - Beginning of Year	1,467,243	2,761,069
Cash and Cash Equivalents - End of Year	<u>\$ 1,697,232</u>	<u>\$ 1,861,652</u>
Cash and Cash Equivalents - Unrestricted	\$ 1,653,351	\$ 1,861,652
Cash and Cash Equivalents - Restricted	43,881	-
Cash and Cash Equivalents - End of Year	<u>\$ 1,697,232</u>	<u>\$ 1,861,652</u>

**Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2007**

Workers' Compensation and Employee Insurance Fund	Fleet & General Liability Insurance Fund	Total
\$ 1,150,486	\$ 1,350,799	\$ 5,070,375
(1,334,229)	(398,998)	(2,490,438)
-	2,400	2,400
(1,417,424)	(2,245,081)	(3,662,505)
1,413,743	(70,421)	1,535,734
(187,424)	(1,361,301)	455,566
-	500,000	500,000
-	-	(174,049)
-	500,000	325,951
-	-	(500,000)
-	-	(38,007)
-	-	12,668
-	-	(2,666,737)
-	-	(3,192,076)
(96,619)	-	296,761
253,297	326,250	878,573
156,678	326,250	1,175,334
(30,746)	(535,051)	(1,235,225)
3,195,267	6,208,385	13,631,964
<u>\$ 3,164,521</u>	<u>\$ 5,673,334</u>	<u>\$ 12,396,739</u>
\$ 3,164,521	\$ 5,673,334	\$ 12,352,858
-	-	43,881
<u>\$ 3,164,521</u>	<u>\$ 5,673,334</u>	<u>\$ 12,396,739</u>

City of Dearborn, Michigan

	Equipment Replacement Fund	Fleet Replacement Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ 566,122	\$ 626,726
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	221,359	1,328,368
Change in assets and liabilities:		
Accounts receivable	-	-
Due from other funds	-	-
Prepaid items	-	17,029
Inventories	(1,295)	204,730
Accounts payable	(97,367)	(837,815)
Accrued liabilities	-	(23,566)
Due to other governments	-	-
Claims payable	-	-
Net cash provided (used) by operating activities	<u>\$ 688,819</u>	<u>\$ 1,315,472</u>

Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2007

Workers' Compensation and Employee Insurance Fund	Fleet & General Liability Insurance Fund	Total
<hr/>		
\$ 1,204,367	\$ (144,566)	\$ 2,252,649
-	-	1,549,727
(20)	24,169	24,149
-	2,400	2,400
-	(57,472)	(40,443)
-	-	203,435
(11,486)	(8,954)	(955,622)
-	-	(23,566)
-	689,919	689,919
<u>(1,380,285)</u>	<u>(1,866,797)</u>	<u>(3,247,082)</u>
<u><u>\$ (187,424)</u></u>	<u><u>\$ (1,361,301)</u></u>	<u><u>\$ 455,566</u></u>

City of Dearborn, Michigan

	(Closed) General Employees' Retirement System Fund	(Open) Revised Police & Fire Retirement System Fund	(Closed) Policemen's & Firemen's Retirement System Fund
Assets			
Cash and cash equivalents	\$ 3,233,955	\$ 3,797,608	\$ 320,770
Receivables:			
Interest and dividends	372,582	541,930	134,832
Other	56,321	149,938	5,673
Investments, at fair value:			
Long-term bonds	64,323,336	95,707,622	22,582,455
Common stock	15,739,428	29,683,625	2,472,941
Collateral pledged on securities loaned	7,793,263	14,364,449	1,656,333
Real estate	7,161,759	12,761,671	2,286,204
Mutual funds	53,385,435	113,122,805	12,217,437
Total investments	<u>148,403,221</u>	<u>265,640,172</u>	<u>41,215,370</u>
Total assets	<u>152,066,079</u>	<u>270,129,648</u>	<u>41,676,645</u>
Liabilities			
Accounts payable	168,939	2,013,728	29,421
Deferred revenue	-	36,983	-
Amounts due to broker under securities lending agreement	<u>7,793,263</u>	<u>14,364,449</u>	<u>1,656,333</u>
Total liabilities	<u>7,962,202</u>	<u>16,415,160</u>	<u>1,685,754</u>
Net Assets			
Held in trust for pension benefits and other employee benefits	<u>\$ 144,103,877</u>	<u>\$ 253,714,488</u>	<u>\$ 39,990,891</u>

Combining Statement of Net Assets
Fiduciary Pension & Other Employee Benefits Funds
June 30, 2007

Retiree Death Benefit Fund	Postretirement Healthcare Fund	Total
\$ 1,961,427	\$ 1,610,092	\$ 10,923,852
20,633	166,312	1,236,289
-	123,658	335,590
1,282,377	12,281,487	196,177,277
-	17,783,102	65,679,096
-	-	23,814,045
-	-	22,209,634
-	-	178,725,677
<u>1,282,377</u>	<u>30,064,589</u>	<u>486,605,729</u>
<u>3,264,437</u>	<u>31,964,651</u>	<u>499,101,460</u>
3,500	-	2,215,588
-	-	36,983
-	-	23,814,045
<u>3,500</u>	<u>-</u>	<u>26,066,616</u>
<u><u>\$ 3,260,937</u></u>	<u><u>\$ 31,964,651</u></u>	<u><u>\$ 473,034,844</u></u>

City of Dearborn, Michigan

	(Closed) General Employees' Retirement System Fund	(Open) Revised Police & Fire Retirement System Fund	(Closed) Policemen's & Firemen's Retirement System Fund
Additions			
Investment income:			
Interest and dividends	\$ 3,973,036	\$ 5,523,090	\$ 1,332,271
Net increase in value of investments	14,981,668	30,520,498	3,913,362
Net investment income	18,954,704	36,043,588	5,245,633
Contributions:			
Employer	4,415,971	6,124,087	-
Employee	-	1,073,688	-
Reimbursements	-	-	-
Total contributions	4,415,971	7,197,775	-
Total additions	23,370,675	43,241,363	5,245,633
Deductions			
Benefit payments	8,916,924	10,523,207	3,550,288
Refunds of contributions	124,570	571,580	-
Administrative expenses	497,601	826,137	153,841
Total deductions	9,539,095	11,920,924	3,704,129
Change in Net Assets	13,831,580	31,320,439	1,541,504
Net Assets - Beginning of Year	130,272,297	222,394,049	38,449,387
Net Assets - End of Year	<u>\$ 144,103,877</u>	<u>\$ 253,714,488</u>	<u>\$ 39,990,891</u>

**Combining Statement of Changes in Fiduciary Net Assets
Fiduciary Pension & Other Employee Benefits Funds
Year Ended June 30, 2007**

Retiree Death Benefit Fund	Postretirement Healthcare Fund	Total
\$ 160,180	\$ 1,195,531	\$ 12,184,108
-	2,562,421	51,977,949
160,180	3,757,952	64,162,057
-	8,172,012	18,712,070
13,191	-	1,086,879
-	1,332,765	1,332,765
13,191	9,504,777	21,131,714
173,371	13,262,729	85,293,771
26,000	8,281,800	31,298,219
-	-	696,150
-	82,717	1,560,296
26,000	8,364,517	33,554,665
147,371	4,898,212	51,739,106
3,113,566	27,066,439	421,295,738
\$ 3,260,937	\$ 31,964,651	\$ 473,034,844

City of Dearborn, Michigan

Combining Statement of Net Assets Fiduciary Agency Funds June 30, 2007

	Agency Fund	Imprest Payroll Fund	District Court Fund	Total
Assets				
Cash and cash equivalents	\$ 7,001,363	\$ 35,374	\$ 75,000	\$ 7,111,737
Accounts receivable (Net)	14,059	-	259,381	273,440
Accrued interest receivable	957	225	-	1,182
Due from component units	-	781	-	781
Due from other funds	-	1,099,482	-	1,099,482
Due from other governments	589,754	-	-	589,754
Total assets	<u>\$ 7,606,133</u>	<u>\$ 1,135,862</u>	<u>\$ 334,381</u>	<u>\$ 9,076,376</u>
Liabilities				
Accounts payable	\$ 353,888	\$ 724,421	\$ 56,185	\$ 1,134,494
Deposits/refunds payable	7,072,238	-	-	7,072,238
Due to other governments	46,563	411,441	278,196	736,200
Other liabilities	133,444	-	-	133,444
Total liabilities	<u>\$ 7,606,133</u>	<u>\$ 1,135,862</u>	<u>\$ 334,381</u>	<u>\$ 9,076,376</u>

City of Dearborn, Michigan

Statement of Changes in Assets and Liabilities Fiduciary Agency Funds Year Ended June 30, 2007

Agency Fund:

	Balance June 30, 2006	Additions	Deductions	Balance June 30, 2007
Assets				
Cash and cash equivalents	\$ 8,037,025	\$ 560,651,755	\$ 561,687,417	\$ 7,001,363
Accounts receivable (Net)	9,866	18,179	13,986	14,059
Accrued interest receivable	27,797	957	27,797	957
Due from other governments	593,008	77,533	80,787	589,754
Total assets	<u>\$ 8,667,696</u>	<u>\$ 560,748,424</u>	<u>\$ 561,809,987</u>	<u>\$ 7,606,133</u>
Liabilities				
Accounts payable	\$ 412,731	\$ 173,141,870	\$ 173,200,713	\$ 353,888
Deposits/refunds payable	5,485,572	7,046,011	5,459,345	7,072,238
Special programs	-	68,905	68,905	-
Due to other funds	9,051	-	9,051	-
Due to other governments	2,602,486	139,211,288	141,767,211	46,563
Other liabilities	157,856	241,280,350	241,304,762	133,444
Total liabilities	<u>\$ 8,667,696</u>	<u>\$ 560,748,424</u>	<u>\$ 561,809,987</u>	<u>\$ 7,606,133</u>

Imprest Payroll Fund:

	Balance June 30, 2006	Additions	Deductions	Balance June 30, 2007
Assets				
Cash and cash equivalents	\$ 845,868	\$ 77,515,287	\$ 78,325,781	\$ 35,374
Accrued interest receivable	8,191	225	8,191	225
Due from component units	-	781	-	781
Due from other funds	-	1,099,482	-	1,099,482
Total assets	<u>\$ 854,059</u>	<u>\$ 78,615,775</u>	<u>\$ 78,333,972</u>	<u>\$ 1,135,862</u>
Liabilities				
Payroll deductions payable	\$ 697,786	\$ 37,584,980	\$ 37,558,345	\$ 724,421
Due to other funds	-	20,441,655	20,441,655	-
Due to other governments	156,273	17,403,870	17,148,702	411,441
Other liabilities	-	3,185,270	3,185,270	-
Total liabilities	<u>\$ 854,059</u>	<u>\$ 78,615,775</u>	<u>\$ 78,333,972</u>	<u>\$ 1,135,862</u>

City of Dearborn, Michigan

Statement of Changes in Assets and Liabilities Fiduciary Agency Funds Year Ended June 30, 2007

District Court Fund:

	Balance June 30, 2006	Additions	Deductions	Balance June 30, 2007
Assets				
Cash and cash equivalents	\$ 75,000	\$ 5,550,907	\$ 5,550,907	\$ 75,000
Accounts receivable (Net)	263,285	1,749,636	1,753,540	259,381
Total assets	<u>\$ 338,285</u>	<u>\$ 7,300,543</u>	<u>\$ 7,304,447</u>	<u>\$ 334,381</u>
Liabilities				
Accounts payable	\$ 55,800	\$ 4,115,679	\$ 4,115,294	\$ 56,185
Due to other governments	282,485	3,184,864	3,189,153	278,196
Total liabilities	<u>\$ 338,285</u>	<u>\$ 7,300,543</u>	<u>\$ 7,304,447</u>	<u>\$ 334,381</u>

Total - All Fiduciary Agency Funds:

	Balance June 30, 2006	Additions	Deductions	Balance June 30, 2007
Assets				
Cash and cash equivalents	\$ 8,957,893	\$ 643,717,949	\$ 645,564,105	\$ 7,111,737
Accounts receivable (Net)	273,151	1,767,815	1,767,526	273,440
Accrued interest receivable	35,988	1,182	35,988	1,182
Due from component unit	-	781	-	781
Due from other funds	-	1,099,482	-	1,099,482
Due from other governments	593,008	77,533	80,787	589,754
Total assets	<u>\$ 9,860,040</u>	<u>\$ 646,664,742</u>	<u>\$ 647,448,406</u>	<u>\$ 9,076,376</u>
Liabilities				
Accounts payable	\$ 468,531	\$ 177,257,549	\$ 177,316,007	\$ 410,073
Payroll deductions payable	697,786	37,584,980	37,558,345	724,421
Deposits/refunds payable	5,485,572	7,046,011	5,459,345	7,072,238
Special programs	-	68,905	68,905	-
Due to other funds	9,051	20,441,655	20,450,706	-
Due to other governments	3,041,244	159,800,022	162,105,066	736,200
Other liabilities	157,856	244,465,620	244,490,032	133,444
Total liabilities	<u>\$ 9,860,040</u>	<u>\$ 646,664,742</u>	<u>\$ 647,448,406</u>	<u>\$ 9,076,376</u>

This part of the City of Dearborn comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

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Financial Trends.....	127-135
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	136-143
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property taxes.	
Debt Capacity.....	144-152
These schedule present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information.....	153-154
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.	
Operating Information	155-158
These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

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City of Dearborn, Michigan

Net Assets by Component Last Six Fiscal Years (accrual basis of accounting)

	Fiscal Year Ended June 30,					
	2002	2003	2004	2005	2006	2007
Governmental Activities:						
Invested in capital assets, net of related debt	\$ 93,090,284	\$ 97,729,862	\$ 96,668,519	\$ 100,547,204	\$ 107,826,375	\$ 114,134,870
Restricted	14,634,583	8,855,356	10,113,127	10,252,064	31,205,744	31,206,122
Unrestricted	55,685,815	67,848,767	74,831,204	72,982,717	50,220,578	52,858,376
Total net assets	<u>\$ 163,410,682</u>	<u>\$ 174,433,985</u>	<u>\$ 181,612,850</u>	<u>\$ 183,781,985</u>	<u>\$ 189,252,697</u>	<u>\$ 198,199,368</u>
Business Type Activities:						
Invested in capital assets, net of related debt	\$ 105,538,716	\$ 111,541,001	\$ 109,651,802	\$ 102,117,776	\$ 133,916,701	\$ 147,719,265
Restricted	6,369,441	6,537,046	15,871,374	38,417,150	17,366,288	23,528,470
Unrestricted	25,365,505	23,481,131	19,800,509	18,414,591	30,746,205	27,502,015
Total net assets	<u>\$ 137,273,662</u>	<u>\$ 141,559,178</u>	<u>\$ 145,323,685</u>	<u>\$ 158,949,517</u>	<u>\$ 182,029,194</u>	<u>\$ 198,749,750</u>
Primary government in total:						
Invested in capital assets, net of related debt	\$ 198,629,000	\$ 209,270,863	\$ 206,320,321	\$ 202,664,980	\$ 241,743,076	\$ 261,854,135
Restricted	21,004,024	15,392,402	25,984,501	48,669,214	48,572,032	54,734,592
Unrestricted	81,051,320	91,329,898	94,631,713	91,397,308	80,966,783	80,360,391
Total net assets	<u>\$ 300,684,344</u>	<u>\$ 315,993,163</u>	<u>\$ 326,936,535</u>	<u>\$ 342,731,502</u>	<u>\$ 371,281,891</u>	<u>\$ 396,949,118</u>

City of Dearborn, Michigan

Changes in Governmental Net Assets Last Six Fiscal Years (accrual basis of accounting)

	Fiscal Year Ended June 30,					
	2002	2003	2004	2005	2006	2007
Expenses						
General government	\$ 21,730,347	\$ 18,871,321	\$ 17,310,436	\$ 21,122,681	\$ 17,970,243	\$ 18,558,136
Public safety	40,868,279	41,989,725	43,694,680	50,323,782	53,815,679	49,236,224
Public works	20,067,364	17,788,591	18,699,976	15,991,362	15,735,740	17,551,174
Health and welfare	1,285,601	959,491	910,537	960,649	1,033,980	1,004,187
Recreation and culture	19,858,453	17,914,835	19,441,507	20,302,546	20,887,064	19,233,843
Community improvement	3,320,005	2,059,947	5,002,834	3,496,589	3,057,027	2,269,759
Interest on long-term debt	1,832,203	1,699,622	2,015,054	1,319,681	1,207,120	1,298,032
Total expenses	108,962,252	101,283,532	107,075,024	113,517,290	113,706,853	109,151,355
Program revenues						
Charges for services						
General government	3,493,392	3,775,406	3,337,927	3,205,671	3,688,843	4,014,763
Public safety	6,497,900	6,403,387	7,573,247	6,990,454	7,604,854	7,290,859
Public works	1,990,516	1,927,063	1,936,530	1,808,400	1,784,182	1,989,214
Health and welfare	163,303	147,129	193,905	181,967	182,536	176,345
Recreation and culture	4,981,832	5,742,031	6,160,059	6,480,262	6,138,877	6,373,706
Community improvement	-	9,900	19,708	30,093	7,692	14,000
Total charges for services	17,126,943	18,004,916	19,221,376	18,696,847	19,406,984	19,858,887
Operating grants and contributions	2,597,130	9,513,651	9,905,623	9,528,743	11,220,655	10,438,719
Capital grants and contributions	10,290,450	2,682,159	4,183,852	4,136,188	4,890,813	1,324,987
Total program revenues	30,014,523	30,200,726	33,310,851	32,361,778	35,518,452	31,622,593
Net (expense) revenue	(78,947,729)	(71,082,806)	(73,764,173)	(81,155,512)	(78,188,401)	(77,528,762)
General revenues						
Property taxes	65,241,844	69,606,407	70,714,812	71,536,045	72,786,959	73,631,345
Intergovernmental revenues	11,880,503	11,588,244	10,362,606	10,225,375	9,967,910	9,594,061
Investment earnings	2,644,794	1,624,449	1,071,777	2,109,219	3,761,071	4,442,283
Miscellaneous	254,347	303,058	370,216	164,447	127,871	341,677
Total general revenues	80,021,488	83,122,158	82,519,411	84,035,086	86,643,811	88,009,366
Gain (loss) on sale of capital assets	(287,978)	(441,656)	(773,009)	-	(215,000)	-
Transfers	(4,804,261)	(574,393)	(803,364)	(710,439)	(2,769,698)	(1,533,933)
Change in net assets	\$ (4,018,480)	\$ 11,023,303	\$ 7,178,865	\$ 2,169,135	\$ 5,470,712	\$ 8,946,671

City of Dearborn, Michigan

Changes in Business-type Net Assets Last Six Fiscal Years (accrual basis of accounting)

	Fiscal Year Ended June 30,					
	2002	2003	2004	2005	2006	2007
Expenses						
Housing	\$ 2,660,315	\$ 2,979,089	\$ 3,849,819	\$ 3,064,323	\$ 3,227,297	\$ 3,394,571
Golf course	1,659,954	1,590,276	1,542,704	1,601,870	1,563,400	1,557,375
Parking	46,507	447,201	407,820	473,676	608,254	1,934,091
Sewer	14,472,824	15,253,728	16,964,560	17,921,160	16,737,924	16,963,805
Water	9,725,444	11,212,753	11,158,986	11,122,419	10,717,015	11,518,094
Total expenses	28,565,044	31,483,047	33,923,889	34,183,448	32,853,890	35,367,936
Program revenues						
Charges for services						
Housing	2,838,066	3,008,055	3,128,263	3,169,921	3,370,818	3,311,667
Golf course	1,490,634	1,387,653	1,303,327	1,347,301	1,300,202	1,322,504
Parking	-	475,938	383,650	745,981	389,658	1,103,913
Sewer	15,081,039	15,883,338	18,442,613	19,537,082	19,660,321	20,252,157
Water	12,162,970	12,321,633	12,115,556	11,056,895	15,047,237	14,071,679
Total charges for services	31,572,709	33,076,617	35,373,409	35,857,180	39,768,236	40,061,920
Operating grants and contributions	-	-	23,775	-	-	-
Capital grants and contributions	15,502	498,029	2,556,992	9,707,284	7,084,833	3,720,899
Total program revenues	31,588,211	33,574,646	37,954,176	45,564,464	46,853,069	43,782,819
Net (expense) revenue	3,023,167	2,091,599	4,030,287	11,381,016	13,999,179	8,414,883
General revenues						
Property taxes	-	-	-	-	3,218,635	3,540,409
Intergovernmental revenues	-	-	102,836	73,862	-	10,950
Investment earnings	1,287,064	782,382	519,669	1,316,732	2,016,375	3,038,305
Miscellaneous	187,135	320,541	138,351	143,783	1,075,790	182,076
Total general revenues	1,474,199	1,102,923	760,856	1,534,377	6,310,800	6,771,740
Gain (loss) on sale of capital assets	(1,640,838)	516,601	-	-	-	-
Special items-loss on abandoned assets	-	-	(1,830,000)	-	-	-
Transfers	4,804,261	574,393	803,364	710,439	2,769,698	1,533,933
Change in net assets	\$ 7,660,789	\$ 4,285,516	\$ 3,764,507	\$ 13,625,832	\$ 23,079,677	\$ 16,720,556

City of Dearborn, Michigan

	As of June 30,			
	1998	1999	2000	2001
General fund				
Reserved	\$ 6,107,647	\$ 9,811,958	\$ 15,390,637	\$ 4,017,656
Unreserved	22,780,950	27,306,636	22,542,248	35,801,751
Total general fund	<u>\$ 28,888,597</u>	<u>\$ 37,118,594</u>	<u>\$ 37,932,885</u>	<u>\$ 39,819,407</u>
 All other governmental funds				
Reserved	\$ 42,024,886	\$ 40,693,496	\$ 27,266,116	\$ 26,393,103
Unreserved, reported in:				
Special revenue funds	4,653,226	5,535,800	2,574,043	1,527,620
Debt service fund	-	-	-	-
Capital project fund	201,509	249,470	1,304,921	846,795
Total all other governmental funds	<u>\$ 46,879,621</u>	<u>\$ 46,478,766</u>	<u>\$ 31,145,080</u>	<u>\$ 28,767,518</u>

Fund Balances, Governmental Funds
Last Ten Fiscal Years
(accrual basis of accounting)

As of June 30,					
2002	2003	2004	2005	2006	2007
\$ 6,076,610	\$ 10,115,777	\$ 11,183,559	\$ 8,433,491	\$ 11,631,922	\$ 8,057,877
30,274,711	28,042,650	32,060,409	34,158,361	24,705,707	27,656,144
<u>\$ 36,351,321</u>	<u>\$ 38,158,427</u>	<u>\$ 43,243,968</u>	<u>\$ 42,591,852</u>	<u>\$ 36,337,629</u>	<u>\$ 35,714,021</u>
\$ 21,238,669	\$ 24,799,034	\$ 28,425,497	\$ 31,208,243	\$ 35,197,980	\$ 36,093,486
3,396,018	2,639,359	3,033,591	1,003,246	2,182,390	2,820,754
291,545	350,940	325,862	-	-	-
5,100,079	4,351,008	2,225,393	-	-	98,378
<u>\$ 30,026,311</u>	<u>\$ 32,140,341</u>	<u>\$ 34,010,343</u>	<u>\$ 32,211,489</u>	<u>\$ 37,380,370</u>	<u>\$ 39,012,618</u>

City of Dearborn, Michigan

	Year Ended June 30,			
	1998	1999	2000	2001
Revenues				
Taxes, assessments and penalties on taxes	\$ 56,004,407	\$ 60,554,851	\$ 61,157,824	\$ 63,365,685
Licenses and permits	3,535,801	3,581,248	3,011,125	3,738,384
Intergovernmental revenues:				
State sources	16,284,962	17,302,376	17,461,613	18,571,632
Federal sources	4,229,981	5,427,807	5,829,180	1,854,291
Other sources	168,362	140,024	154,600	159,840
Charges for services	5,419,994	5,520,853	6,165,817	5,077,691
Fines and forfeitures	3,684,662	3,813,800	3,830,334	4,157,970
Rents and royalties	3,345,316	3,730,243	3,640,486	3,881,396
Miscellaneous revenue	1,808,351	2,937,016	1,509,526	1,108,284
Private source contributions	-	-	-	1,259,156
Investment income	4,022,965	5,328,131	5,221,675	5,561,743
Total revenues	98,504,801	108,336,349	107,982,180	108,736,072
Expenditures				
General government	16,041,650	14,603,777	14,790,708	15,605,502
Public safety	33,369,633	33,714,411	34,656,797	35,414,787
Public works	14,960,691	16,634,184	17,895,920	16,127,975
Health and welfare	1,486,508	1,781,441	1,753,200	1,427,595
Recreation and culture	10,093,579	11,441,459	10,847,849	12,073,395
Community improvement	2,236,427	2,168,819	2,176,281	1,850,478
Utilities	3,231,120	3,372,766	3,197,104	3,667,627
Capital outlay	15,417,181	13,117,607	32,770,626	22,158,121
Debt service - principal	380,000	1,310,000	1,910,000	2,050,000
Debt service - interest	641,452	2,208,006	2,074,138	1,961,452
Total expenditures	97,858,241	100,352,470	122,072,623	112,336,932
Revenues Over (Under) Expenditures	646,560	7,983,879	(14,090,443)	(3,600,860)
Other Financing Sources (Uses)				
Proceeds from bonds issued	32,419,604	-	-	-
Refunding bonds issued	-	-	-	-
Payments from (to) escrow agent	-	-	-	-
Transfers in	12,174,951	12,241,170	15,583,919	20,819,314
Transfers out	(12,270,048)	(12,395,907)	(16,012,871)	(19,847,608)
Contribution to component unit	-	-	-	-
Total other financing sources (uses)	32,324,507	(154,737)	(428,952)	971,706
Net Change in Fund Balances	32,971,067	7,829,142	(14,519,395)	(2,629,154)
Fund Balances - Beginning of year	42,797,151	75,768,218	83,597,360	71,216,079
Fund Balances - End of year	\$ 75,768,218	\$ 83,597,360	\$ 69,077,965	\$ 68,586,925

Note 1

Debt service as a percentage of noncapital expenditures	1.24%	4.03%	4.46%	4.45%
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Note 1 - FY2001 beginning fund balance has been restated to reflect a change in accounting methods.

Note 2 - FY2002 beginning fund balance does not agree with the prior year ending balance due to the implementation of GASB 34.

Changes in Fund Balances, Government Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Year Ended June 30,					
2002	2003	2004	2005	2006	2007
\$ 65,368,159	\$ 68,535,593	\$ 71,225,476	\$ 71,636,846	\$ 73,074,475	\$ 73,956,411
2,194,914	2,567,285	3,012,402	2,484,862	2,211,330	2,354,012
18,273,158	18,445,599	18,144,074	17,556,775	18,724,037	17,008,883
4,392,843	3,128,156	4,201,011	4,286,267	5,792,025	3,019,962
201,261	176,453	158,521	174,776	116,796	120,626
7,807,213	8,576,251	9,910,066	9,605,652	9,789,794	9,763,643
4,951,743	4,093,236	3,722,143	3,615,747	4,480,045	4,591,880
4,441,195	4,824,692	4,860,730	5,066,367	5,206,021	5,216,764
1,985,055	2,083,898	1,779,416	2,070,831	2,537,007	1,262,007
347,662	286,271	395,049	553,421	257,048	159,203
2,633,805	1,623,318	1,071,016	2,108,961	3,761,071	4,442,283
112,597,008	114,340,752	118,479,904	119,160,505	125,949,649	121,895,674
19,636,300	16,607,919	17,137,937	17,802,197	17,625,581	16,592,671
38,231,736	39,361,005	40,209,968	47,448,269	50,596,105	47,815,559
21,290,195	18,421,532	19,752,523	18,740,517	20,545,286	23,264,645
1,245,330	985,036	898,637	951,384	1,015,112	1,017,025
15,577,675	15,490,932	15,719,462	16,625,373	17,158,608	15,991,058
2,044,095	2,097,139	4,017,796	1,856,829	2,214,272	1,944,888
3,670,306	3,987,263	3,840,690	4,060,359	4,464,391	4,302,158
12,523,615	6,888,289	4,120,128	8,373,440	5,687,117	3,816,566
2,215,000	2,340,000	2,465,000	2,630,000	2,765,000	3,040,000
1,839,548	1,707,568	1,842,076	1,347,823	1,229,742	1,242,580
118,273,800	107,886,683	110,004,217	119,836,191	123,301,214	119,027,150
(5,676,792)	6,454,069	8,475,687	(675,686)	2,648,435	2,868,524
-	-	-	-	-	-
-	-	8,630,000	-	-	-
-	-	(8,475,000)	-	-	-
15,160,852	10,984,992	11,636,915	8,000,313	13,105,908	11,823,416
(17,917,036)	(13,517,923)	(13,312,059)	(9,775,597)	(16,303,606)	(13,683,300)
-	-	-	-	(536,079)	-
(2,756,184)	(2,532,931)	(1,520,144)	(1,775,284)	(3,733,777)	(1,859,884)
(8,432,976)	3,921,138	6,955,543	(2,450,970)	(1,085,342)	1,008,640
74,810,606	66,377,630	70,298,768	77,254,311	74,803,341	73,717,999
\$ 66,377,630	\$ 70,298,768	\$ 77,254,311	\$ 74,803,341	\$ 73,717,999	\$ 74,726,639

Note 2

3.83%	4.01%	4.07%	3.57%	3.40%	3.72%
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City of Dearborn, Michigan

Real Property Taxable Value						
Tax Year	Fiscal Year	Residential	Commercial	Industrial	Industrial Facilities Tax (IFT)	Total Real
1997	1998	1,433,279,541	707,144,032	304,740,957	48,491,550	2,493,656,080
1998	1999	1,492,909,434	744,746,122	305,310,162	51,189,150	2,594,154,868
1999	2000	1,553,991,975	756,515,660	347,101,809	18,867,950	2,676,477,394
2000	2001	1,627,849,973	818,018,779	359,114,973	22,300,250	2,827,283,975
2001	2002	1,721,162,010	862,920,714	362,082,837	21,897,700	2,968,063,261
2002	2003	1,821,761,592	931,693,660	376,411,376	141,545,850	3,271,412,478
2003	2004	1,891,783,975	956,905,879	381,595,698	165,315,700	3,395,601,252
2004	2005	1,975,915,384	978,301,152	388,619,725	178,011,500	3,520,847,761
2005	2006	2,053,916,387	1,011,807,684	392,315,199	176,638,200	3,634,677,470
2006	2007	2,147,398,933	1,046,716,836	378,766,844	83,837,200	3,656,719,813

Note: Under Michigan law, the revenue base is Taxable Value.

Taxable Value and Assessed Value of Taxable Property Last Ten Fiscal Years

Personal Property Taxable Value				Direct Tax Rate (mills)	Assessed Value	Taxable as a % of Assessed Value
Personal	Industrial Facilities Tax (IFT)	Total Personal	Total Taxable Value			
1,101,105,100	200,674,450	1,301,779,550	3,795,435,630	14.78	3,900,341,013	97.31%
1,101,505,350	235,583,450	1,337,088,800	3,931,243,668	15.38	4,115,287,007	95.53%
1,146,611,650	227,276,050	1,373,887,700	4,050,365,094	15.28	4,335,105,048	93.43%
1,038,909,600	263,580,400	1,302,490,000	4,129,773,975	15.33	4,542,072,991	90.92%
999,888,600	342,183,650	1,342,072,250	4,310,135,511	15.33	4,825,232,278	89.32%
937,258,600	345,849,100	1,283,107,700	4,554,520,178	15.32	5,176,232,134	87.99%
900,530,150	326,484,900	1,227,015,050	4,622,616,302	15.29	5,353,056,598	86.35%
852,123,859	347,813,200	1,199,937,059	4,720,784,820	15.27	5,499,856,383	85.83%
828,261,796	383,426,000	1,211,687,796	4,846,365,266	15.86	5,645,658,764	85.84%
739,617,400	370,526,500	1,110,143,900	4,766,863,713	14.75	5,464,185,166	87.24%

City of Dearborn, Michigan

		Millage Rates - Direct City Taxes				Overlapping Taxes		
	Fiscal	General		Special	Total Direct		Community	Intermediate
Tax Year	Year	Operating	Debt	Purpose	Taxes	County (1)	College (2)	School District
Dearborn School District								
1997	1998	13.5500	-	1.2300	14.7800	8.5000	2.5000	2.0000
1998	1999	13.6800	0.6000	1.1000	15.3800	8.5000	2.5000	2.0000
1999	2000	13.6600	0.5000	1.1200	15.2800	8.4572	2.5000	2.0000
2000	2001	13.6600	0.5500	1.1200	15.3300	8.4039	2.4735	1.9789
2001	2002	13.6500	0.5500	1.1300	15.3300	8.3905	2.4735	1.9753
2002	2003	13.6500	0.5400	1.1300	15.3200	8.6390	2.4735	3.4643
2003	2004	13.6275	0.5400	1.1225	15.2900	8.6361	2.4596	3.4643
2004	2005	13.5900	0.5200	1.1600	15.2700	8.6354	2.4596	3.4643
2005	2006	13.6275	1.1100	1.1225	15.8600	8.6346	3.0000	3.4643
2006	2007	13.6275	1.3000	1.1225	16.0500	8.6266	3.0000	3.4643

Westwood School District

1997	1998	13.5500	-	1.2300	14.7800	8.5000	1.1900	2.0000
1998	1999	13.6800	0.6000	1.1000	15.3800	8.5000	1.1500	2.0000
1999	2000	13.6600	0.5000	1.1200	15.2800	8.4572	1.0190	2.0000
2000	2001	13.6600	0.5500	1.1200	15.3300	8.4039	1.0000	1.9789
2001	2002	13.6500	0.5500	1.1300	15.3300	8.3905	2.4995	1.9753
2002	2003	13.6500	0.5400	1.1300	15.3200	8.6390	2.4862	3.4643
2003	2004	13.6275	0.5400	1.1225	15.2900	8.6361	2.4862	3.4643
2004	2005	13.5900	0.5200	1.1600	15.2700	8.6354	2.4844	3.4643
2005	2006	13.6275	1.1100	1.1225	15.8600	8.6346	2.4769	3.4643
2006	2007	13.6275	1.3000	1.1225	16.0500	8.6266	2.6915	3.4643

Note: Michigan law restricts the maximum millage that may be levied by the City without a vote of our residents, as follows:

	General Operating	Debt	Special Purpose
2005	13.6275	no limit	2.7254

- (2) Henry Ford Community College is part of the Dearborn School System. Westwood school taxpayers pay a Wayne County Community College rate.
- (3) A homeowner's Principal Residence Exemption (P.R.E.) grants up to 18 mill of school tax relief to qualified homeowners (Public Act 105 of 2003, MCL 211.7cc). It is administered by the local assessor and affects the local tax bill. An independent state homestead property tax credit (MCL 206.508 et seq.) to qualified homeowners and renters is administered directly by the Michigan Department of Treasury as additional tax relief.
- (4) Dearborn School's P.R.E rate includes a "Homestead Supplemental" rate. This is applied to P.R.E. tax parcels only.

Direct and Overlapping Property Tax Rates Last Ten Fiscal Years

	Total Tax Rate		Total Tax Rate	Overlapping Taxes	Total Tax Rate
State Education Tax (SET)	Before School Taxes	School P.R.E. (4)	P.R.E. (3)(4)	School Non - P.R.E.	Non - P.R.E.
6.0000	33.7800	8.3000	42.0800	20.1300	53.9100
6.0000	34.3800	8.1500	42.5300	19.9800	54.3600
6.0000	34.2372	8.0900	42.3272	19.9400	54.1772
6.0000	34.1863	8.0247	42.2110	19.9200	54.1063
6.0000	34.1693	8.0247	42.1940	19.9200	54.0893
6.0000	35.8968	9.9447	45.8415	21.8400	57.7368
5.0000	34.8500	9.9521	44.8021	22.0600	56.9100
6.0000	35.8293	10.0760	45.9053	22.4200	58.2493
6.0000	36.9589	9.1588	46.1177	21.9400	58.8989
6.0000	37.1409	9.1610	46.3019	22.1200	59.2609
6.0000	32.4700	3.0000	35.4700	21.0000	53.4700
6.0000	33.0300	3.0000	36.0300	21.0000	54.0300
6.0000	32.7562	3.0000	35.7562	21.0000	53.7562
6.0000	32.7128	2.9709	35.6837	20.9709	53.6837
6.0000	34.1953	2.9376	37.1329	20.9358	55.1311
6.0000	35.9095	2.9026	38.8121	20.8720	56.7815
5.0000	34.8766	2.8790	37.7556	20.8484	55.7250
6.0000	35.8541	2.8274	38.6815	20.4931	56.3472
6.0000	36.4358	2.7767	39.2125	20.1844	56.6202
6.0000	36.8324	2.7392	39.5716	20.7392	57.5716

City of Dearborn, Michigan

Principal Property Taxpayers Current Year and Nine Years Previous

Taxpayer	2006			1997		
	Taxable Value	Rank	Percentage of total	Taxable Value	Rank	Percentage of total
Ford Motor Company	\$ 1,044,269,743	1	21.91%	\$ 1,180,326,715	1	34.35%
Severstal Steel Company	118,245,500	2	2.48%	-	-	-
Dearborn Industrial Generation	60,174,975	3	1.26%	-	-	-
Automotive Components Holding	51,004,608	4	1.07%	-	-	-
Fairlane Town Center	48,911,800	5	1.03%	54,019,380	3	1.57%
Hallwood Management Co	43,032,392	6	0.90%	39,269,757	5	1.14%
The ACG (AAA of Michigan)	40,670,042	7	0.85%	24,689,900	7	0.72%
Detroit Edison	33,824,366	8	0.71%	37,977,640	6	1.11%
Lear Corporation	26,160,358	9	0.55%	-	-	0.00%
IBM Corporation	24,892,000	10	0.52%	22,433,550	8	-
Rouge Steel Company	-	-	-	187,795,100	2	5.47%
U. S. Leasing Capital	-	-	-	48,867,600	4	1.42%
Mich-Con Gas Company	10,915,300	-	0.23%	20,881,498	9	0.61%
United Technologies (Essex Group)	-	-	-	20,125,680	10	0.59%
Total taxable value of ten largest taxpayers	1,491,185,784		31.28%	1,636,386,820		47.62%
Total taxable value of all other taxpayers	3,275,677,929		68.72%	1,799,785,964		52.38%
Total taxable value of all taxpayers	<u>\$ 4,766,863,713</u>		<u>100.00%</u>	<u>\$ 3,436,172,784</u>		<u>100.00%</u>

Note: Taxes are billed and collected as current beginning in July one year through February of the following year.
Taxable values include Ad Valorem and Industrial Facilities Tax (Act 198) taxable values.

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City of Dearborn, Michigan

Collection Period July 1 to February 28	Tax Year	Tax Levy as Adjusted	Collections Respective Tax Year	Percent Collected	Delinquent Tax
1997-1998	1997	54,261,356	53,261,910	98.2%	999,446
1998-1999	1998	56,114,743	54,739,079	97.5%	1,375,664
1999-2000	1999	57,839,175	56,724,431	98.1%	1,114,744
2000-2001	2000	58,709,163	57,383,776	97.7%	1,325,387
2001-2002	2001	60,993,513	59,572,542	97.7%	1,420,971
2002-2003	2002	63,690,538	61,096,759	95.9%	2,593,779
2003-2004	2003	64,668,527	62,830,392	97.2%	1,838,135
2004-2005	2004	65,902,430	63,585,712	96.5%	2,316,718
2005-2006	2005	66,782,028	64,661,825	96.8%	2,120,203
2006-2007	2006	66,932,745	64,728,834	96.7%	2,203,911

Tax Year	Delinquent Tax	Collections		
		Fiscal Year 2006-2007	Prior Fiscal Years	Total
1997	999,446	876	966,641	967,517
1998	1,375,664	-	1,322,013	1,322,013
1999	1,114,744	-	1,104,678	1,104,678
2000	1,325,387	7,516	1,398,051	1,405,567
2001	1,420,971	12,513	1,659,085	1,671,598
2002	2,593,779	35,934	2,810,933	2,846,867
2003	1,838,135	35,000	1,886,693	1,921,693
2004	2,316,718	93,563	2,405,955	2,499,518
2005	1,680,438	1,680,438	62,682	1,743,120
2006	41,553	41,553	-	41,553

Property Taxes Levied, Collected and Outstanding Last Ten Fiscal Years

Delinquent Tax Collections	Delinquent Balance as of June 30, 2007	Cumulative Collections (Current and Delinquent)	Percent Collected
999,446	-	54,261,356	100.0%
1,375,664	-	56,114,743	100.0%
1,114,744	-	57,839,175	100.0%
1,325,387	-	58,709,163	100.0%
1,369,276	51,695	60,941,818	99.9%
2,263,200	330,579	63,359,959	99.5%
1,497,641	340,494	64,328,033	99.5%
1,828,808	487,910	65,414,520	99.3%
1,638,561	481,642	66,300,386	99.3%
41,553	2,162,358	64,770,387	96.8%

Adjustments	Delinquent Balance as of June 30, 2007
(31,929)	-
(53,651)	-
(10,066)	-
80,180	-
302,322	51,695
583,667	330,579
424,052	340,494
670,710	487,910
104,559	481,642
-	2,162,358

City of Dearborn, Michigan

	1998	1999	2000	2001
Governmental activities:				
General obligation bonds	\$ 43,555,300	\$ 42,251,496	\$ 40,345,765	\$ 38,299,929
Business type activities:				
General obligation bonds	3,564,000	3,465,000	3,356,100	3,237,300
Revenue bonds	29,296,251	27,951,439	26,539,001	25,046,563
Total business type activities	32,860,251	31,416,439	29,895,101	28,283,863
Total debt of the government	<u>\$ 76,415,551</u>	<u>\$ 73,667,935</u>	<u>\$ 70,240,866</u>	<u>\$ 66,583,792</u>
Total residential personal income	NA	NA	\$ 2,100,989,200	\$ 2,100,989,200
Ratio of total debt to personal income	NA	NA	3.34%	3.17%
Total population	93,400	95,600	97,775	98,929
Total debt per capita	\$ 818	\$ 771	\$ 718	\$ 673

Note: The City of Dearborn has no installment purchase agreements, special assessment bonds or capital leases.

Ratios of Outstanding Debt Last Ten Fiscal Years

2002	2003	2004	2005	2006	2007
\$ 36,090,041	\$ 33,752,890	\$ 33,611,717	\$ 30,489,918	\$ 27,217,946	\$ 23,744,725
3,108,600	2,970,000	14,889,626	47,132,660	68,401,337	100,993,381
23,794,125	27,376,520	26,723,565	24,953,267	23,052,972	21,107,676
26,902,725	30,346,520	41,613,191	72,085,927	91,454,309	122,101,057
<u>\$ 62,992,766</u>	<u>\$ 64,099,410</u>	<u>\$ 75,224,908</u>	<u>\$ 102,575,845</u>	<u>\$ 118,672,255</u>	<u>\$ 145,845,782</u>
\$ 2,100,989,200	\$ 2,100,989,200	\$ 2,100,989,200	\$ 2,067,333,614	2,067,333,614	2,167,472,786
3.00%	3.05%	3.58%	4.96%	5.74%	6.73%
99,879	99,824	99,499	99,382	99,909	99,089
\$ 631	\$ 642	\$ 756	\$ 1,032	\$ 1,188	\$ 1,472

City of Dearborn, Michigan

Fiscal Year	Limited tax General Obligation Bonds (LTGO)	Tax Supported Bonds (UTGO)	Less Pledged Debt Service Funds	Other General Obligation Debt	Net General Bonded Debt
1998	\$ 19,695,300	\$ 23,860,000	\$ 77,198	\$ -	\$ 43,632,498
1999	19,301,496	22,950,000	349,824	-	42,601,320
2000	18,470,765	21,875,000	198,553	-	40,544,318
2001	17,599,929	20,700,000	247,348	-	38,547,277
2002	16,690,041	19,400,000	291,545	-	36,381,586
2003	15,727,890	18,025,000	350,940	-	34,103,830
2004	17,036,717	16,575,000	325,862	-	33,937,579
2005	15,439,918	15,050,000	514,528	-	31,004,446
2006	13,767,946	13,450,000	159,246	-	27,377,192
2007	12,050,790	11,693,935	110,036	-	23,854,761

Ratios of General Bond Debt Outstanding Last Ten Fiscal Years

Taxable Value	Debt as a Percentage of Taxable Value	Population	Debt per Capita
\$ 3,795,435,630	1.15%	93,400	\$ 467
3,931,243,668	1.08%	95,660	445
4,050,365,094	1.00%	97,775	415
4,129,773,975	0.93%	98,929	390
4,310,135,511	0.84%	99,879	364
4,554,520,178	0.75%	99,824	342
4,622,616,302	0.73%	99,499	341
4,720,784,820	0.66%	99,382	312
4,846,365,266	0.56%	99,909	274
4,766,863,713	0.50%	99,089	241

City of Dearborn, Michigan

Computation of Direct and Overlapping Bonded Debt General Obligation Bonds June 30, 2007

Government Unit	Net Bonded Debt Outstanding	Percentage Applicable to Government	Amount Applicable to Government	Per Capita
Direct - City of Dearborn	\$ 23,744,725	100.00%	\$ 23,744,725	\$ 238
Overlapping (1):				
Dearborn School District	188,212,000	94.88%	178,575,546	1,787
Westwood School District	190,000	6.49%	12,331	-
Wayne County at large	92,441,826	8.53%	7,885,088	79
Wayne County Community College	<u>50,100,000</u>	0.06%	<u>30,060</u>	<u>-</u>
Total Overlapping Debt	<u>330,943,826</u>	56.35%	<u>186,503,025</u>	<u>1,867</u>
Grand Total	<u>\$ 354,688,551</u>	59.28%	<u>\$ 210,247,750</u>	<u>\$ 2,104</u>

(1) Overlapping debt figures supplied by the Municipal Advisory Council of Michigan.

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City of Dearborn, Michigan

	1998	1999	2000	2001
Valuation base				
State equalized valuation - excluding IFT values	\$ 3,651,175,013	\$ 3,828,514,407	\$ 4,088,961,048	\$ 4,256,192,341
Plus: equivalent valuation of Act 198 exemptions	249,166,000	286,772,600	246,144,000	285,880,650
Total valuation	<u>\$ 3,900,341,013</u>	<u>\$ 4,115,287,007</u>	<u>\$ 4,335,105,048</u>	<u>\$ 4,542,072,991</u>
Legal Debt limitation - 10% of total valuation	\$ 390,034,101	\$ 411,528,701	\$ 433,510,505	\$ 454,207,299
Calculation of debt subject to limit:				
Total debt	76,797,693	73,823,731	70,487,397	66,583,792
Less: Revenue Bonds not subject to limit	(33,242,393)	(31,688,083)	(26,539,001)	(25,046,563)
Less: Amount available for repayment of general obligation bonds	(77,195)	(349,824)	(198,553)	(247,348)
Net debt subject to limit	<u>43,478,105</u>	<u>41,785,824</u>	<u>43,749,843</u>	<u>41,289,881</u>
Legal debt margin	<u>\$ 346,555,996</u>	<u>\$ 369,742,877</u>	<u>\$ 389,760,662</u>	<u>\$ 412,917,418</u>
Net debt subject to limit as % of debt limit	11.15%	10.15%	10.09%	9.09%

Computation of Legal Debt Margin Last Ten Fiscal Years

2002	2003	2004	2005	2006	2007
\$ 4,461,150,928	\$ 4,688,837,184	\$ 4,861,255,998	\$ 4,974,031,683	\$ 5,085,594,564	\$ 5,009,821,466
364,081,350	487,394,950	491,800,600	525,824,700	560,064,200	454,363,700
<u>\$ 4,825,232,278</u>	<u>\$ 5,176,232,134</u>	<u>\$ 5,353,056,598</u>	<u>\$ 5,499,856,383</u>	<u>\$ 5,645,658,764</u>	<u>\$ 5,464,185,166</u>
\$ 482,523,228	\$ 517,623,213	\$ 535,305,660	\$ 549,985,638	\$ 564,565,876	\$ 546,418,517
62,992,766	64,099,410	75,224,906	102,575,845	118,672,255	145,845,782
(23,794,125)	(27,376,520)	(26,723,563)	(24,953,267)	(23,052,972)	(21,107,676)
(291,545)	(350,940)	(325,862)	(514,528)	(159,246)	(110,036)
<u>38,907,096</u>	<u>36,371,950</u>	<u>48,175,481</u>	<u>77,108,050</u>	<u>95,460,037</u>	<u>124,628,070</u>
<u>\$ 443,616,132</u>	<u>\$ 481,251,263</u>	<u>\$ 487,130,179</u>	<u>\$ 472,877,588</u>	<u>\$ 469,105,839</u>	<u>\$ 421,790,447</u>
8.06%	7.03%	9.00%	14.02%	16.91%	22.81%

City of Dearborn, Michigan

Sewage Disposal System Limited Tax Revenue Bonds Revenue Bond Coverage Last Ten Fiscal Years

Fiscal Year	Gross Revenues	Operating Expenses (1)	Net Revenue Available for Debt Service	Debt Service Requirement			Coverage
				Principal	Interest	Total	
1998	12,862,727	9,710,085	3,152,642	1,310,000	1,535,816	2,845,816	111%
1999	14,432,112	9,549,518	4,882,594	1,357,374	1,461,463	2,818,837	173%
2000	17,338,960	11,441,651	5,897,309	1,425,000	1,377,498	2,802,498	210%
2001	15,711,210	11,690,400	4,020,810	1,505,000	1,291,876	2,796,876	144%
2002	16,114,625	12,798,449	3,316,176	1,265,000	1,206,391	2,471,391	134%
2003	16,409,603	13,368,916	3,040,687	1,330,000	1,187,154	2,517,154	121%
2004	18,858,158	15,072,744	3,785,414	1,640,000	1,158,476	2,798,476	135%
2005	20,633,639	15,920,043	4,713,596	1,790,000	792,693	2,582,693	183%
2006	21,980,542	13,819,686	8,160,856	1,920,000	737,275	2,657,275	307%
2007	21,563,867	15,945,719	5,618,418	1,965,000	697,588	2,662,588	211%

City of Dearborn, Michigan

Demographic and Economic Statistics Last Ten Fiscal Years

Fiscal Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate
1998	93,400	NA	NA	2.1%
1999	95,600	NA	NA	2.0%
2000	97,775	\$ 2,100,989,200	21,488	1.9%
2001	98,929	2,100,989,200	21,237	2.9%
2002	99,879	2,100,989,200	21,035	3.5%
2003	99,824	2,100,989,200	21,047	4.3%
2004	99,499	2,100,989,200	21,116	5.4%
2005	99,382	2,067,333,614	20,802	5.5%
2006	99,909	2,067,333,614	20,692	5.2%
2007	99,089	2,167,472,786	21,874	4.7%

- (1) Population statistics are the U.S. Census estimates for April 1, 2000 and the SEMCOG estimates as of July 1 for other years as published in Southeast Michigan Council of Government's "Population and Households in Southeast Michigan, 2000-2006" (September 2006 and earlier).

City of Dearborn, Michigan

Principal Employers Current Year and Nine Years Previous

	2006			1997		
	Employees	Rank	Percentage of Total	Employees	Rank	Percentage of Total
Ford Motor Company	47,136	1	66.32%	56,705	1	76.37%
Oakwood Hospital Corporation	7,441	2	10.47%	3,334	3	4.49%
Visteon Corp (HQ)	4,300	3	6.05%	-	-	-
Severstal North America, Inc	2,500	4	3.52%	-	-	-
Lear Corp	2,320	5	3.26%	-	-	-
Dearborn Board of Education	2,182	6	3.07%	2,778	4	3.74%
Auto Club of Michigan	1,979	7	2.78%	2,245	5	3.02%
United Technologies Auto (HQ)	1,266	8	1.78%	1,266	7	1.70%
Dearborn Stamping Plant	1,000	9	1.41%	-	-	-
UM Child Development Center	954	10	1.34%	-	-	-
Rouge Steel Company	-	-	-	3,350	2	4.51%
Carhartt Inc	-	-	-	2,000	6	2.69%
Diemakers Inc	-	-	-	900	8	1.21%
City of Dearborn	-	-	-	880	9	1.19%
Consolidated Rail	-	-	-	795	10	1.07%
	<u>71,078</u>			<u>74,253</u>		

City of Dearborn, Michigan

Full Time Equivalent Government Employees Last Six Fiscal Years

Functions/programs	Full-time-Equivalent Employees as of July 1,					
	2002	2003	2004	2005	2006	2007
Primary government						
Governmental activities						
General government	220.89	211.78	206.75	193.41	190.15	180.12
Public safety	451.25	462.29	468.60	448.34	459.38	446.38
Public works	118.42	105.95	104.30	93.09	90.30	84.20
Health and welfare	27.90	22.29	23.03	23.51	23.44	23.05
Recreation and culture	314.69	306.86	304.73	288.80	287.38	284.95
Community improvement	21.00	20.65	18.65	15.31	14.43	13.23
Total governmental activities	<u>1,154.15</u>	<u>1,129.82</u>	<u>1,126.06</u>	<u>1,062.46</u>	<u>1,065.08</u>	<u>1,031.93</u>
Business-type activities						
Housing	25.10	25.10	25.85	22.84	24.69	24.69
Golf course	28.27	28.07	28.07	27.83	26.22	25.56
Parking	-	-	-	6.69	5.08	5.08
Sewer	11.00	11.75	12.75	12.00	12.00	14.68
Water	36.88	36.88	39.67	39.84	37.82	34.97
Total business-type activities	<u>101.25</u>	<u>101.80</u>	<u>106.34</u>	<u>109.20</u>	<u>105.81</u>	<u>104.98</u>
Total primary government	<u>1,255.40</u>	<u>1,231.62</u>	<u>1,232.40</u>	<u>1,171.66</u>	<u>1,170.89</u>	<u>1,136.91</u>
Component unit						
East Dearborn Downtown Development Authority	-	-	-	1.00	1.00	1.00
Total employees	<u>1,255.40</u>	<u>1,231.62</u>	<u>1,232.40</u>	<u>1,172.66</u>	<u>1,171.89</u>	<u>1,137.91</u>

A full-time employee is scheduled to work 2,080 hours per year (including vacation, sick and PTO leaves).

Full-time-equivalent employment is calculated by dividing total labor hours by 2,080.

City of Dearborn, Michigan

Functions/ programs	1998	1999	2000	2001	2002
Public safety					
Police patrol units	NA	NA	NA	49	49
Fire stations	4	4	4	4	4
Emergency response vehicles	5	5	5	5	5
Fire suppression vehicles	9	9	9	9	9
Public works					
Miles of streets					
Major streets	72.14	72.25	73.01	73.01	73.01
Local streets	194.39	195.00	194.24	194.24	194.24
Recreation and culture					
Parks and recreation					
Parks acreage	323.60	323.60	323.60	323.60	323.60
Number of parks	43	43	43	43	43
Golf course	1	1	1	1	1
Ice surfaces	1	2	2	2	2
Libraries					
Branches	4	4	4	4	4
Collection - number of volumes	NA	NA	NA	301,421	298,413
Utilities					
Water					
Miles of water mains	372.50	372.50	372.50	372.50	372.50
Fire hydrants	2,822	2,822	2,822	2,822	2,822
Sewer					
Miles of sanitary sewers	79.14	79.14	79.14	79.14	79.14
Miles of storm sewers	144.27	144.27	144.27	144.27	144.27
Miles of combined sewers	404.35	404.35	404.35	404.35	404.35

Capital Asset Statistics Last Ten Fiscal Years

2003	2004	2005	2006	2007
49	49	49	49	49
4	4	4	4	4
5	5	5	6	6
9	9	9	9	9
73.01	73.01	73.01	73.01	73.01
194.24	194.24	194.24	194.24	194.24
323.60	323.60	308.60	308.60	309
43	43	43	43	43
1	1	1	1	1
2	2	2	2	2
4	4	4	4	4
296,959	299,908	300,294	302,154	308,988
372.50	372.50	372.50	372.50	372.67
2,822	2,822	2,822	2,822	2,824
79.14	79.14	79.14	79.14	72.82
144.27	144.27	144.27	144.27	162.26
404.35	404.35	404.35	404.35	378.16

City of Dearborn, Michigan

Operating Indicators Last Six Fiscal Years

Functions/programs	2002	2003	2004	2005	2006	2007
Election data						
Registered voters	39,581	42,064	45,660	51,056	54,882	57,427
District court						
Number of court cases	69,317	66,499	63,705	69,090	63,735	68,577
Building and safety						
Permits issued	10,459	10,898	10,663	9,412	9,096	8,173
Permit inspections conducted	NA	27,299	27,773	28,231	17,165	19,367
Police						
Calls for service	58,377	60,768	59,260	54,432	56,467	56,867
Traffic citations	23,824	21,371	18,846	NA	22,458	21,477
Parking citations	13,099	15,915	10,191	NA	11,727	20,191
Fire						
Fire incidents	2,248	2,118	2,149	2,256	2,320	2,032
Emergency medical services incidents	7,219	7,200	7,282	7,522	7,475	7,471
Public works						
Miles of street resurfaced	5.90	5.94	2.35	5.40	3.09	1.57
Curbside refuse collected (tons)	42,445	43,645	49,739	39,958	44,400	39,043
Curbside compost collected (tons)	16,156	8,679	11,160	8,848	10,800	8,072
Curbside recyclables collected (tons)	4,469	4,463	4,626	4,046	4,200	3,912
Leaf collection (cubic yards)	16,742	21,150	18,204	24,300	19,762	19,888
Recreation						
Passholder visits	159,091	172,329	188,000	199,035	217,124	213,796
Library						
Collection - number of volumes	298,413	296,959	299,908	300,294	302,154	308,988
Circulation - number of transactions	1,246,989	1,289,748	1,277,048	1,143,446	1,034,882	918,886
Number of visitors	613,942	594,716	594,316	538,527	520,973	489,984
Water						
Number of customers billed	32,935	32,978	32,946	32,949	32,860	32,818
Total consumption (100 cubic feet)	9,699,414	8,743,666	8,002,471	7,782,069	7,532,607	6,820,710
Sewer						
Sewer water conveyed to Detroit (100 cubic feet)	11,876,378	10,986,646	13,202,404	11,820,680	11,561,647	11,392,378

City of Dearborn, Michigan

**Federal Awards
Supplemental Information
June 30, 2007**

City of Dearborn, Michigan

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Dearborn, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Dearborn, Michigan for the year ended June 30, 2007, which collectively comprise the City of Dearborn, Michigan's basic financial statements, and have issued our report thereon dated October 18, 2007. Those basic financial statements are the responsibility of the management of the City of Dearborn, Michigan. Our responsibility was to express opinions on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dearborn, Michigan's basic financial statements. The accompanying schedule of expenditures of federal awards and reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not required parts of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

October 18, 2007

Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Honorable Mayor and
Members of the City Council
City of Dearborn, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Dearborn, Michigan as of and for the year ended June 30, 2007, which collectively comprise the City of Dearborn, Michigan's basic financial statements, and have issued our report thereon dated October 18, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Dearborn, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Dearborn, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Dearborn, Michigan's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Honorable Mayor and
Members of the City Council
City of Dearborn, Michigan

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Dearborn, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of the City of Dearborn, Michigan in a separate letter dated October 18, 2007.

This report is intended solely for the information and use of the City Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

October 18, 2007

Report on Compliance with Requirements Applicable to Each Major
Program and on Internal Control Over Compliance
in Accordance with OMB Circular A-133

To the Honorable Mayor and
Members of the City Council
City of Dearborn, Michigan

Compliance

We have audited the compliance of the City of Dearborn, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. The major federal programs of the City of Dearborn, Michigan are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Dearborn, Michigan's management. Our responsibility is to express an opinion on the City of Dearborn, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Dearborn, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Dearborn, Michigan's compliance with those requirements.

In our opinion, the City of Dearborn, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

To the Honorable Mayor and
Members of the City Council
City of Dearborn, Michigan

Internal Control Over Compliance

The management of the City of Dearborn, Michigan is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Dearborn, Michigan's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the City Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

October 18, 2007

City of Dearborn, Michigan

Schedule of Expenditures of Federal Awards Year Ended June 30, 2007

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
U.S. Department of Energy - Passed through Family Independence Agency - Weatherization Program	81.042	\$ 26
U.S. Department of Housing and Urban Development:		
Direct programs:		
Community Development Block Grant	14.218	2,797,430
Emergency Shelter Grant	14.231	63,810
Passed through Michigan State Housing Development Authority - Home Investment Partnerships Program - Home Resource Fund	14.239	<u>74,147</u>
Total U.S. Department of Housing and Urban Development		2,935,387
U.S. Environmental Protection Agency:		
Passed through County of Wayne, Michigan - Rouge River National Demonstration - A (Subgrant)	66.606	306,190
Passed through Michigan Department of Environmental Quality:		
State Revolving Fund Loan - Combined Sewer Overflow Phase A	66.458	3,549,267
State Revolving Fund Loan - East Dearborn CSO Control Program	66.458	8,216,723
State Revolving Fund Loan - Combined Sewer Overflow Outfall 016	66.458	<u>852,650</u>
Total U.S. Environmental Protection Agency		12,924,830
U.S. Department of Agriculture - Passed through Michigan Department of Agriculture - Emerald Ash Borer Tree Planting Grant	10.664	20,000
Federal Emergency Management Agency - Passed through Michigan Department of State Police - Civil Preparedness Program	97.042	24,657

City of Dearborn, Michigan

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2007

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
U.S. Department of Justice:		
Direct programs:		
Local Law Enforcement Block Grant	16.592	\$ 6,747
Bullet Proof Vest Program	16.607	9,921
COPS MORE Technology Grant	16.710	33,477
Equitable Sharing of Federally Forfeited Property	16.000	628,476
Passed through Department of Community Health, Office of Drug Control		
Policy - Brynne Memorial Formula Grant Program	16.579	8,941
Passed through Family Independence Agency - juvenile Accountability Block Grant	16.523	(66)
Passed through Michigan Department of State Police:		
2004 State Homeland Security Grant	97.004	17,318
2005 Citizen Corps (CERT) Grant	97.067	38,287
Passed through Wayne County Sheriff Department:		
2005 Edward Bryne Memorial Justice Assistance Grant Program	16.738	46,110
2006 Edward Byrne Memorial Justice Assistance Grant Program	16.738	11,356
Total U.S. Department of Justice		800,567
U.S. Department of Transportation:		
Passed through Michigan Department of State Police and Downriver		
Community Conference - Drive Michigan Safely Task Force	20.600	68,002
Passed through Michigan Department of Transportation:		
Resurface - Southfield Service Drive from South City Limits to Rouge River (Job 74481A)	20.205	2,763
Resurface - Tireman from Miller Road to City Limits (Job 75535A)	20.205	11,296
Total U.S. Department of Transportation		82,061
Total federal programs		<u>\$ 16,787,528</u>

City of Dearborn, Michigan

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2007

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 3,019,962
Add federal money recorded as a capital contribution from grants on the financial statements	306,190
Federal money recorded as a pass-through activity in Trust and Agency Funds	63,810
Add federal money recorded as a liability (combined sewer overflow Phase A)	12,618,640
Add federal money classified as forfeited revenue	628,476
Add federal revenue classified as miscellaneous revenue on financial statements	162,892
Less revenue for prior year expenditures received in current year	(17,486)
Grant receivable not recorded under modified accrual accounting	<u>5,044</u>

Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 16,787,528</u>
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City of Dearborn, Michigan, Michigan

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2007

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Dearborn, Michigan and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Noncash Assistance

The value of the noncash assistance received was determined in accordance with the provisions of OMB Circular A-133.

Summary of Noncash Assistance - The grantee received the following noncash assistance during the year ended June 30, 2007 which is not included on the schedule of expenditures of federal awards:

Federal Program	CFDA Number	Description	Amount
U.S. Department of Agriculture	10.569	Emergency Food Distribution Program	\$ 8,143

Note 3 - Subrecipient Awards

Of the federal expenditures presented in the schedule of expenditures of federal awards, federal awards were provided to subrecipients as follows:

Federal Program Title	CFDA Number	Amount Provided to Subrecipients
Community Development Block Grant	14.218	\$ 74,777
Emergency Shelter Grant	14.231	49,222

City of Dearborn, Michigan, Michigan

Schedule of Findings and Questioned Costs Year Ended June 30, 2007

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ☐ Yes ☒ No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
66.458	U.S. Environmental Protection Agency - State Revolving Fund Loans
14.218	U.S. Department of Housing and Urban Development - Community Development Block Grant
16.000	U.S. Department of Justice - Equitable Sharing of Federally Forfeited Property

Dollar threshold used to distinguish between type A and type B programs: \$503,626

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

City of Dearborn, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None

City of Dearborn, Michigan

**Federal Awards
Supplemental Information
June 30, 2007**

City of Dearborn, Michigan

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Dearborn, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Dearborn, Michigan for the year ended June 30, 2007, which collectively comprise the City of Dearborn, Michigan's basic financial statements, and have issued our report thereon dated October 18, 2007. Those basic financial statements are the responsibility of the management of the City of Dearborn, Michigan. Our responsibility was to express opinions on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dearborn, Michigan's basic financial statements. The accompanying schedule of expenditures of federal awards and reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not required parts of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

October 18, 2007

Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Honorable Mayor and
Members of the City Council
City of Dearborn, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Dearborn, Michigan as of and for the year ended June 30, 2007, which collectively comprise the City of Dearborn, Michigan's basic financial statements, and have issued our report thereon dated October 18, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Dearborn, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Dearborn, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Dearborn, Michigan's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Honorable Mayor and
Members of the City Council
City of Dearborn, Michigan

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Dearborn, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of the City of Dearborn, Michigan in a separate letter dated October 18, 2007.

This report is intended solely for the information and use of the City Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

October 18, 2007

**Report on Compliance with Requirements Applicable to Each Major
Program and on Internal Control Over Compliance
in Accordance with OMB Circular A-133**

To the Honorable Mayor and
Members of the City Council
City of Dearborn, Michigan

Compliance

We have audited the compliance of the City of Dearborn, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. The major federal programs of the City of Dearborn, Michigan are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Dearborn, Michigan's management. Our responsibility is to express an opinion on the City of Dearborn, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Dearborn, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Dearborn, Michigan's compliance with those requirements.

In our opinion, the City of Dearborn, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

To the Honorable Mayor and
Members of the City Council
City of Dearborn, Michigan

Internal Control Over Compliance

The management of the City of Dearborn, Michigan is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Dearborn, Michigan's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the City Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

October 18, 2007

City of Dearborn, Michigan

Schedule of Expenditures of Federal Awards Year Ended June 30, 2007

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
U.S. Department of Energy - Passed through Family Independence Agency - Weatherization Program	81.042	\$ 26
U.S. Department of Housing and Urban Development:		
Direct programs:		
Community Development Block Grant	14.218	2,797,430
Emergency Shelter Grant	14.231	63,810
Passed through Michigan State Housing Development Authority - Home Investment Partnerships Program - Home Resource Fund	14.239	<u>74,147</u>
Total U.S. Department of Housing and Urban Development		2,935,387
U.S. Environmental Protection Agency:		
Passed through County of Wayne, Michigan - Rouge River National Demonstration - A (Subgrant)	66.606	306,190
Passed through Michigan Department of Environmental Quality:		
State Revolving Fund Loan - Combined Sewer Overflow Phase A	66.458	3,549,267
State Revolving Fund Loan - East Dearborn CSO Control Program	66.458	8,216,723
State Revolving Fund Loan - Combined Sewer Overflow Outfall 016	66.458	<u>852,650</u>
Total U.S. Environmental Protection Agency		12,924,830
U.S. Department of Agriculture - Passed through Michigan Department of Agriculture - Emerald Ash Borer Tree Planting Grant	10.664	20,000
Federal Emergency Management Agency - Passed through Michigan Department of State Police - Civil Preparedness Program	97.042	24,657

City of Dearborn, Michigan

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2007

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
U.S. Department of Justice:		
Direct programs:		
Local Law Enforcement Block Grant	16.592	\$ 6,747
Bullet Proof Vest Program	16.607	9,921
COPS MORE Technology Grant	16.710	33,477
Equitable Sharing of Federally Forfeited Property	16.000	628,476
Passed through Department of Community Health, Office of Drug Control		
Policy - Brynne Memorial Formula Grant Program	16.579	8,941
Passed through Family Independence Agency - juvenile Accountability		
Block Grant	16.523	(66)
Passed through Michigan Department of State Police:		
2004 State Homeland Security Grant	97.004	17,318
2005 Citizen Corps (CERT) Grant	97.067	38,287
Passed through Wayne County Sheriff Department:		
2005 Edward Bryne Memorial Justice Assistance Grant Program	16.738	46,110
2006 Edward Byrne Memorial Justice Assistance Grant Program	16.738	11,356
Total U.S. Department of Justice		800,567
U.S. Department of Transportation:		
Passed through Michigan Department of State Police and Downriver		
Community Conference - Drive Michigan Safely Task Force	20.600	68,002
Passed through Michigan Department of Transportation:		
Resurface - Southfield Service Drive from South City Limits to Rouge		
River (Job 74481A)	20.205	2,763
Resurface - Tireman from Miller Road to City Limits (Job 75535A)	20.205	11,296
Total U.S. Department of Transportation		82,061
Total federal programs		<u>\$ 16,787,528</u>

City of Dearborn, Michigan

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2007

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 3,019,962
Add federal money recorded as a capital contribution from grants on the financial statements	306,190
Federal money recorded as a pass-through activity in Trust and Agency Funds	63,810
Add federal money recorded as a liability (combined sewer overflow Phase A)	12,618,640
Add federal money classified as forfeited revenue	628,476
Add federal revenue classified as miscellaneous revenue on financial statements	162,892
Less revenue for prior year expenditures received in current year	(17,486)
Grant receivable not recorded under modified accrual accounting	<u>5,044</u>

Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 16,787,528</u>
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City of Dearborn, Michigan, Michigan

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2007

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Dearborn, Michigan and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Noncash Assistance

The value of the noncash assistance received was determined in accordance with the provisions of OMB Circular A-133.

Summary of Noncash Assistance - The grantee received the following noncash assistance during the year ended June 30, 2007 which is not included on the schedule of expenditures of federal awards:

Federal Program	CFDA Number	Description	Amount
U.S. Department of Agriculture	10.569	Emergency Food Distribution Program	\$ 8,143

Note 3 - Subrecipient Awards

Of the federal expenditures presented in the schedule of expenditures of federal awards, federal awards were provided to subrecipients as follows:

Federal Program Title	CFDA Number	Amount Provided to Subrecipients
Community Development Block Grant	14.218	\$ 74,777
Emergency Shelter Grant	14.231	49,222

City of Dearborn, Michigan, Michigan

Schedule of Findings and Questioned Costs Year Ended June 30, 2007

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ☐ Yes ☒ No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
66.458	U.S. Environmental Protection Agency - State Revolving Fund Loans
14.218	U.S. Department of Housing and Urban Development - Community Development Block Grant
16.000	U.S. Department of Justice - Equitable Sharing of Federally Forfeited Property

Dollar threshold used to distinguish between type A and type B programs: \$503,626

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

City of Dearborn, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None



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October 18, 2007

To the Honorable Mayor and Members
of the City Council
City Hall Annex West
City of Dearborn
4500 Maple
Dearborn, MI 48126

Dear Mayor and Council Members:

We recently completed our audit of the basic financial statements of the City of Dearborn for the year ended June 30, 2007. As a result of our audit, we have the following comments and recommendations for your review and consideration.

Internal Control Items

Golf Course

In addition to our normal audit procedures, we continue to select one remote cash collection location each year and perform additional procedures related to cash handling at that location. This year, the golf course was selected as the location to be tested. Our procedures include performance of tests of specific cash transactions, interviews with personnel involved in cash collections, and review of written policies regarding cash collections. As a result of our procedures, we noted that the golf course does not balance the cash registers at the end of each shift. While cash amounts are recorded and deposited daily and are reconciled monthly to the general ledger, we recommend management consider the benefit of balancing cash following each shift.

Retirement System

The City continues to make the actuarial required contribution to the retirement system; however, the unfunded percentage continues to grow. We are aware that the trustees are monitoring this trend and the actuary has stated that they believe the City's unfunded amount is still at an acceptable level. We would recommend management continue monitoring the funded amount to ensure that the assumptions being used are appropriate and reasonably conservative.

Customer Receivables and Sales

During our testing of customer receivable and sales, we noted the City estimates unbilled water and sewer receivables based on third quarter billing registers. Based on an analysis of last year's fourth quarter billing registers, it appears that fourth quarter activity is typically higher than third quarter activity. As a result, the estimated receivable recorded at year end is likely understated. While we believe management's method of estimating unbilled water and sewer is reasonable and consistent, we recommend management consider adjusting its method to reflect increased activity in the fourth quarter.

Accounts Payable

It is our understanding that the City processes check-runs two times each week. This is more frequent than many organizations with which we work that often process checks once per week, or some even semi-monthly. As the City continues to find ways to streamline operations, we recommend the frequency of check-runs be evaluated.

Technology

Internal controls tend to be most effective when the handling of cash payments is minimized. We encourage the City to continue to evaluate ways to minimize the receipt of cash in its operations. For example, the City has begun using prepaid parking cards. The use of these cards could help minimize cash handling in the City by expanding their use to recreation activities and facilities in addition to parking system use. We would be happy to have one of our technology consultants spend some time brainstorming such ideas with your team.

Operational, Legislative, and Informational Items

Revenue Sharing

The future of the State's revenue-sharing program continues to be directly tied to the condition of the State's budget. Reductions to statutory revenue sharing started in 2001 as shortfalls began occurring in the State's budget. The State's budget shortfalls continue to be significant. The State was approximately \$1.8 billion short of the revenue needed to cover basic services for the State's upcoming fiscal year 2007/2008 budget. The legislature and the governor acted on October 1 to increase the income tax rate (from 3.9 percent to 4.35 percent, raising more than \$750 million) and to enact a new 6 percent tax on certain services (raising approximately \$700 million per year). As part of the continuation budget that was also passed on October 1, there are still approximately \$400 million of "to-be-determined" cuts that remain to be agreed upon and announced for the fiscal year 2007/2008 budget. It is not completely clear whether the State's fiscal year 2006/2007 budget has been completely balanced as well. The outcome of other matters will also impact revenue sharing and those matters include:

- Future of county participation in statutory revenue sharing. In 2004, the State terminated payment of statutory revenue sharing to counties (which was approximately \$182 million) but allowed counties to move their operating tax levy to July from December. Counties are required to deposit the additional monies from the earlier levy into a “reserve fund,” which is to be used by the counties to replace lost statutory revenue sharing in future years. The question that remains is when the reserve funds established by counties are depleted, will counties come back into the “revenue-sharing formula” and to what extent? Will the size of the statutory pot grow to accommodate counties or will there be a shift of the same monies from cities, villages, and townships to the counties?
- The statutory revenue-sharing formula expires in 2007. Legislative action is required on this Act for appropriations to continue into 2008 and beyond.
- Changes to Michigan’s Tax Structure - The Michigan single business tax has been eliminated effective December 31, 2007 which will result in the loss of \$1.9 billion from the State’s budget in 2008. In June 2007, a replacement for the single business tax - called the new Michigan business tax - was approved by the legislature. More details on this new tax structure are included below. In the overview, the plan creates a new tax structure for Michigan businesses, provides further personal property tax relief to business taxpayers, and is forecasted by the State to generate about the same revenue (\$1.9 billion) as the single business tax. Technical corrections on this recently passed law are still pending and the law is lengthy and complex. The true financial impact on the State’s budget is hard to predict. Further changes to Michigan’s tax structure were made on October 1 as described above to partially close the structural budget deficit that exists.

As introduced, the governor’s budget for fiscal year 2007/2008 includes a revenue-sharing increase of \$27 million to be distributed using the three-part formula currently contained in the revenue-sharing act (taxable value per capita, population/unit type, and yield equalization) with an additional \$14.5 million for public safety funding. While specific details have not been announced yet, communities would only be eligible for the increase if they can demonstrate service sharing with other local governments. Many observers have indicated that it is likely that revenue sharing for fiscal year 2007/2008 will more than likely be tied to fiscal year 2006/2007 funding levels.

It is unclear what the outcome will be regarding the short-term and long-term funding of statutory revenue sharing. Decisions still remain on the ultimate funding level for revenue sharing for the State’s fiscal years 2006/2007 and 2007/2008. Local governments may need to react with budget amendments when these final decisions are made by the State.

Personal Property Tax

Over the last seven years, the State's personal property tax laws and regulations have changed substantially. In 2000, the State Tax Commission updated the general business depreciation tables that are used to calculate personal property taxes, resulting in an approximate drop in property tax revenue of 10 percent. In addition, the State Tax Commission also approved new personal property tax tables for utilities which made drastic changes to transmission and distribution property of utilities (resulting in approximately 30 percent revenue loss to local units of government). Also, the Michigan Supreme Court in *WPW Acquisition Co v. City of Troy* ruled that the Proposal A cap prevents assessors from increasing the taxable value of commercial rental property above the rate of inflation using the occupancy methodology even when reductions in taxable value were previously granted due to a decrease in occupancy.

The new Michigan business tax also provides more personal property tax relief to business taxpayers (see details below). Even with this most recent relief provided in June 2007 through the MBT, further reductions to personal property tax remain part of the State's tax structure discussions. Personal property taxes are a significant revenue source to many local governments. For the City, personal property tax represents approximately 20 percent of its tax base. If the State's new business tax structure provides personal property tax relief, the question is will local governments be held harmless by the State and to what extent? The governor's tax plan as introduced proposes to change the property tax system to mitigate the impact of the WPW case. A similar attempt to make this correction occurred in 2005 and 2006 with no success.

New Michigan Business Tax

As previously indicated, the new Michigan business tax (MBT) was approved by the legislature in June 2007 and replaces the single business tax (SBT) which expires December 31, 2007. According to the State, the new MBT is intended to generate about the same \$1.9 billion generated by the expiring SBT

While the MBT intended to simplify the old SBT, the MBT is a very lengthy and complicated new law. The new MBT imposes two taxes - a modified gross receipts tax and a business income tax. The modified gross receipts tax is imposed at .8 percent on a tax base composed of gross receipts less certain purchases. The business income tax will be imposed at a rate of less than 5 percent on business income. The MBT provides for new investment, compensation, and research and development credits to businesses. The MBT also allows certain qualified small businesses to opt out of the MBT and pay a straight 1.8 percent tax on adjusted business income.

More personal property tax relief is also part of the new MBT. Business personal property classified as “industrial” or “commercial” will be exempt from certain personal property taxes - specifically from the State Education Tax (SET) and local school operating mills. “Industrial” personal property will receive exemptions from the 6 SET mills and the 18 schools operating mills (for a total 24 mill exemption). “Commercial” personal property will be exempt from 12 of the 18 school operating mills.

These newly enacted personal property tax exemptions will mean that local governments will collect less school taxes on these properties. For local governments that have enacted an administrative fee on tax collections, they will likely see a decrease in the administration fees that have traditionally been collected. Also, for those local governments with tax increment financing authorities that continue to have existing eligible obligations outstanding and are therefore allowed to capture school taxes (to the extent of these eligible obligations), the personal property tax exemptions on school millages will likely decrease the amount of school taxes available to capture.

Given the favorable tax treatment of industrial versus commercial personal property, it is expected that businesses will be re-reviewing the classification of their personal property. Your assessor will likely receive more frequent inquiries and requests to change classification of personal property to take the most advantage of the tax break afforded to industrial property and commercial property and the additional relief available for industrial property.

As we understand it now, these are the areas at the local governmental level (i.e., impact on administrative fees, impact on school dollars available for capture for certain tax increment financing authorities, and property classifications) that are the most directly impacted by the new MBT.

We will keep you updated as we continue to explore these and other issues regarding the impact of the MBT on local units of government.

New Cable Franchise Legislation

The governor signed cable franchise legislation (House Bill 6456) into law effective January 1, 2007. The new law (Public Act 480 of 2006) creates the “Uniform Video Services Local Franchise Act” which provides a statewide framework for franchising agreements instead of individual community agreements. This Act requires video service providers to obtain a local franchise, good for 10 years, from the franchising entity (the local unit of government). As part of the local franchise, the provider is required to pay an annual video service provider fee, not to exceed 5 percent of gross revenue, as well as an annual fee for the costs of the PEG access facilities, not to exceed 2 percent of gross revenue. The Act allows providers to terminate the current franchise contracts before their expiration date, in order to enter into this new local franchise agreement under the statewide framework.

Local units of government will be impacted in the following ways:

- Under the Act, no additional fees or charges other than those stipulated under the Act may be written into the local franchise agreements.
- To the extent existing cable franchise agreements provided more funding than provided for under the new Act, municipalities will see reduced fees from these new local franchise agreements.
- A credit, based on annual maintenance fees paid for use of public rights of way, to video service providers is allowed under the Act. This credit could eliminate or significantly reduce any revenue the local unit might receive under the bills' franchise fee.
- Audits of the video service providers' calculation of gross revenue are limited to once every two years.

It is expected that local governments will receive their first payment under the new Act beginning in May 2007 or shortly thereafter. We strongly encourage you to review this payment compared to payments previously received and follow up with your provider as required.

Subsequent to the passage of the Act, amendments have been proposed in both the House and the Senate (House Bill 5047 and Senate Bill 636) to clarify language about the ability of local governments to receive PEG fees.

Other Legislative Items

In addition to the legislature's main focus on the business tax structure and solving the budget deficit, the following are a summary of a few other matters impacting local government finance receiving attention in Lansing these days:

- Act 312 - Several articles have been written about recent discussions on potential revisions to Act 312 which governs collective bargaining between local governments and their police and fire bargaining units.
- Local government consolidation - Two bills to eliminate potential barriers to consolidation efforts have received attention by the legislature (House Bills 4266 and 4246).
- Drain Code revisions - A series of bills dealing with revisions to the Drain Code were voted on by the House in August (House Bills 4641, 4642, 4643, 4644, and 4688).
- Transportation Tax Increase - There continues to be ongoing discussion about the need for additional monies to properly fund Michigan's transportation system. More information can be found at http://www.drivemi.org/mtt_members.php.

Property Tax Legislation

A series of House bills were introduced in 2007 dealing with the treatment of the uncapping of value on sale or transfer of property. With the passage of Proposal A in 1994, changes to the taxable value of an individual property are limited to the lesser of the rate of inflation or 5 percent - until the property is sold or transferred. The difference between the capped taxable value amount and state equalized value at the time of transfer is referred as the “uncapped” value or the “pop-up” value. As several published studies and reports have demonstrated, the treatment of “uncapped” values or the “pop-up” amount when a property is transferred or sold as growth on existing property subject to the Headlee rollback calculation has resulted in continued downward pressure on millage rates. This treatment is due to definitional changes made to the General Property Tax Act in 1994.

The three bills in the package are House Bills 4440, 4441, and 4442 and would propose to do the following:

- House Bill 4440 - This bill establishes an 18-month moratorium on the “pop-up” or “uncapping” of taxable value to state equalized value at the time of sale or transfer of a property. Property sales or transfers occurring in the time frame of the moratorium would continue to pay property taxes at the previous taxable value amount. The “pop-up” or “uncapping” of taxable value would be delayed until the property was sold or transferred in later years.
- House Bill 4441 - This bill increases the real estate transfer tax by .10 percent and earmarks the money to be returned to local government for potential loss in revenue occurring from House Bill 4440.
- House Bill 4442 - This bill would change the General Property Tax Act to exempt the “pop-up” or “uncapped” value from the Headlee rollback calculation. If this legislation were enacted, increases in taxable value resulting from property sales or transfers would be treated as “additions” to taxable value or new growth versus growth on existing property.

House Bills 4440 and 4441 passed the House on March 14 (HB 4440 has been assigned to the Senate Finance Committee). House Bill 4442 has not been voted on yet in the House. The bills are not tie barred.

911 Surcharge Sunset Extended Temporarily

Local governments receiving monies under the Emergency Service Enabling Act to support 911 operations faced the potential elimination or change in the funding formula at December 31, 2006. To allow further analysis of this issue, the sunset of the Act was extended one year to December 31, 2007 (Public Act 249 of 2006). The surcharge to fund 911 operations has been the subject of considerable discussions over the last several months with the approaching expiration at December 31, 2007. Action is required by the legislature to continue this charge beyond December 31, 2007 so discussions will continue on this subject into September and perhaps the remainder of the fall legislative session.

Bonding to Fund Liability for Other Postemployment Benefits

The day quickly approaches for local governments to measure the liability for non-pension benefits granted to government employees at retirement (most notably retiree health care). Once these benefits are measured, local governments will face the tough choice of advance funding these benefits (which some are doing now), remain on a pay-as-you go plan (which is the path for most local governments), or a combination thereof. To provide local governments with additional funding options, legislation was introduced in 2006 which would allow for bonding as a funding tool. The legislation was passed by the Michigan Legislature and vetoed by the governor. It was expected that the legislation was going to be reconsidered in 2007.

Municipal Finance Act Revisions

The Municipal Finance Act was amended several years ago. Communities are now required to submit a filing once a year with the Michigan Department of Treasury. The old 10-day “exemption from prior approval” process has been eliminated and is replaced with this qualification process. This filing will serve as a pre-approval for future debt issues. The current filing is due within six months of the City’s year end and is good for one year thereafter. The City should consider the need to file a qualifying statement for each of its component units.

To the Honorable Mayor and Members
of City Council
City Hall Annex West
City of Dearborn

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October 18, 2007

We would like to thank the Honorable Mayor and members of the City Council, as well as all of the City of Dearborn personnel for their assistance during the audit. We appreciate the opportunity to serve as your auditors. If there are any questions about your financial report or the above comments and recommendations, we would be happy to discuss them at your convenience.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink that reads "Leslie J. Pulver". The signature is written in a cursive style with a large initial 'L'.

Leslie J. Pulver

A handwritten signature in black ink that reads "Christopher S. Jones". The signature is written in a cursive style with a large initial 'C'.

Christopher S. Jones

October 18, 2007

To the Honorable Mayor and
Members of the City Council
City of Dearborn
4500 Maple
Dearborn, MI 48126

We have recently completed our audit of the basic financial statements of the City of Dearborn for the year ended June 30, 2007. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible. This report is intended solely for the use of the audit committee, board of directors, and others within the organization.

Auditor's Responsibility Under Auditing Standards Generally Accepted in the United States of America

We conducted our audit of the basic financial statements of City of Dearborn in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. The following paragraphs explain our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's responsibility. We may make suggestions as to the form or content of the financial statements or even draft them, in whole or in part, based on management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the representations of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than with those items of lesser importance or those in which the possibility of material error is remote. For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or irregularities. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

Auditor's Responsibility for Testing and Reporting on Internal Controls and Compliance with Laws and Regulations

In the audit process, we gain an understanding of the internal control structure of an entity as well as the laws and regulations having a direct and material effect on the entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of company documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the entity's internal control structure or the entity's compliance with laws and regulations.

The limited purpose of these tests in a financial statement audit may not meet the needs of some users of auditors' reports who require additional information on internal controls and on compliance with laws and regulations. To meet certain audit report users' needs, laws and regulations often prescribe testing and reporting on internal controls and compliance to supplement the financial statement audit's coverage of these areas. In accordance with regulatory requirements covering federal (awards) financial assistance, supplemental testing of and reporting on internal controls and compliance was performed. Nevertheless, even after performing and reporting the results of these additional tests of internal controls and compliance required by laws and regulations, some reasonable needs of report users still may be unmet. We may meet these needs by performing further tests of internal controls and compliance with laws and regulations in either of two ways:

1. Supplemental (or agreed-upon) procedures, or
2. Examination, resulting in an opinion

For the year ended June 30, 2007, we were not engaged to nor did we perform the additional services listed in 1 and 2 above.

Significant Accounting Policies

Auditing standards call for us to inform you regarding the initial selection of, and change in, significant accounting policies or their application. In addition, we are expected to inform you about the methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. There were no significant unusual transactions or controversial or significant emerging areas for which new accounting policies were needed.

Management's Judgments and Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Auditing standards call for us to report to you about accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments. Further, we are expected to report to you about the process used by management in formulating particularly sensitive accounting estimates and about the basis for our conclusions regarding the reasonableness of those estimates. In this connection, we are reporting the following matters:

The City changed its method for calculating the reserve for workers' compensation claims. In the past, the City relied solely on the third-party administrator's calculation of the reserve amount. In the current year, the City received new information from the third-party administrator that indicated the third-party administrator's calculation of the reserve was overstated by the amount of claims paid. As a result, the City decreased its reserve by \$1,173,656.

Included in management's estimates is an estimated liability for potential commitments related to ongoing projects. The amount recorded is based on management's best estimate given the facts and circumstances and past history of similar circumstances.

Significant Audit Adjustments

Auditing standards call for us to report to you significant audit adjustments that, in our judgment, may not have been detected except through the auditing procedures we performed. As a result of our audit, no significant adjustments were made to the financial statements.

Auditing standards also require us to inform you about uncorrected possible financial statement adjustments identified by us during the current engagement and pertaining to the latest period presented, which were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. As a result of our audit, we did not identify any uncorrected possible financial statement adjustments.

To the Honorable Mayor and
Members of the City Council
City of Dearborn

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October 18, 2007

Other Information in Documents Containing Audited Financial Statements

When our audit report and the audited financial statements are included in a client document, we have a responsibility to read that document and consider whether anything therein is inconsistent with the information in the audited financial statements. It is our understanding that the audited financial statements are currently not expected to be included in any other document.

Disagreements with Management

There were no disagreements with management over the application of accounting principles or the basis for management's judgments about accounting estimates. Additionally, there were no disagreements regarding the scope of the audit, disclosures to be included in the financial statements, or the wording of the auditor's report.

Consultation with Other Accountants

To our knowledge, there were no such consultations with other accountants.

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink that reads "Leslie J. Pulver". The signature is written in a cursive, flowing style.

Leslie J. Pulver